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FEDERAL CREDIT UNION ACT AMENDMENTS AND VOLUNTARY PAYROLL ALLOTMENT

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HEARING BEFORE THE COMMITTEE ON BANKING AND CURRENCY HOUSE OF REPRESENTATIVES

NINETIETH CONGRESS

FIRST SESSION

ON

H.R. 6157

A BILL TO PERMIT FEDERAL EMPLOYEES TO PURCHASE SHARES OF FEDERAL- OR STATE-CHARTERED CREDIT UNIONS THROUGH VOLUNTARY PAYROLL ALLOTMENT

H.R. 13489

A BILL TO AMEND THE FEDERAL CREDIT UNION ACT TO MODERNIZE THE LOAN, INVESTMENT, AND DIVIDEND PROVISIONS, AND FOR OTHER PURPOSES

NOVEMBER 3, 1967

Printed for the use of the Committee on Banking and Currency



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FEDERAL CREDIT UNION ACT AMENDMENTS AND VOLUNTARY PAYROLL ALLOTMENT

FRIDAY, NOVEMBER 3, 1967

HOUSE OF REPRESENTATIVES,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D.C.

The committee met, pursuant to notice, at 10:05 a.m., in room 2128, Rayburn House Office Building, Hon. Wright Patman (chairman) presiding.

Present: Representatives Patman, Sullivan, Reuss, St Germain, Gonzalez, Minish, Hanna, Gettys, Rees, Galifianakis, Bevill, Widnall, Brock, Clawson, Johnson, Stanton, Mize, Blackburn, Brown, and Wylie.

The CHAIRMAN. The committee will please come to order.

This morning the committee meets to hear testimony on H.R. 6157, a bill to permit Federal employees to purchase shares of credit unions through voluntary payroll deductions and H.R. 13489, a bill to amend the Federal Credit Union Act to modernize the loan, investment, and dividend provisions.

Before we begin testimony on these bills, I would like to point out the legislative history of the two measures.

A bill containing three of the five points in H.R. 13489 has been passed by the other body. That bill provides for a delegation of loan powers to loan officers, quarterly dividend rates and the crediting of shares received by the 10th of the month.

In addition to these three points, H.R. 13489 allows credit unions to invest up to 25 percent of their reserves in certain credit union owned or operated organizations and to allow credit unions to purchase notes of liquidating credit unions.

H.R. 6157, the payroll deduction bill, presents a rather unique problem. A companion bill, S. 1084, was considered by the Banking Committee in the other body and was reported with amendments granting the payroll deduction privilege to banks, savings and loan associations, and savings banks, as well as credit unions.

In order to accomplish these amendments it was necessary to amend 31 U.S.C. section 492, the section of a particular statute that does not come within the jurisdiction of this committee.

After the bill was passed by the other body, granting payroll deductions to banks and all savings institutions, it was referred to the House Government Operations Committee, the committee that has jurisdiction over 31 U.S.C., section 492.

It is now my understanding that the House Government Operations Committee will not be able to take the bill up this session.

Therefore, it is hoped that the Banking Committee can report H.R. 6157, pass it in the House, and perhaps the other body will accept our actions without the need for a conference or additional hearings on the other side.

(The texts of H.R. 6157 and H.R. 13489 and reports from the Department of Health, Education, and Welfare and from the Board of Governors of the Federal Reserve System follow:)

[H.R. 6157, 90th Cong., first sess.]

A BILL To permit Federal employees to purchase shares of Federal- or State-chartered credit union^s through voluntary payroll allotment

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 25 of the Federal Credit Union Act (12 U.S.C. 1770) is amended (1) by inserting "(a)" immediately after "SEC. 25" and (2) by adding at the end thereof the following new subsection:

"(b) Any Federal employee who is a member of any credit union that has a common bond consisting of Federal employees and members of their families shall have the right to have payment on shares in the credit union made by allotment from his salary in such amount and at such times as the employee may from time to time request in writing. The credit union shall reimburse the United States Government for the reasonable cost of making such allotment."

"The Comptroller General of the United States shall issue regulations to implement this authority."

"In this subsection, 'Federal employee' means any person employed by any department, agency, independent establishment, board, office, commission, or other establishment in the executive, legislative, or judicial branch of the Government, any wholly owned or controlled Government corporation, and the municipal government of the District of Columbia."

[H.R. 13489, 90th Cong., first sess.]

A BILL To amend the Federal Credit Union Act to modernize the loan, investment, and dividend provisions, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subsection (7) of section 8 of the Federal Credit Union Act (12 U.S.C. 1757) is amended (1) by striking out the word "or" before the letter "(F)" and by adding at the end thereof the following: "or (G) in an aggregate amount not exceeding 25 per centum of its regular reserve in any one or more incorporated or unincorporated organizations which are controlled by credit unions or credit union associations and which use funds so invested for purposes of establishing and maintaining the liquidity, solvency, and security of credit unions.;" and (2) by striking out the word "and" after the semicolon in subsection (12) and by adding the following:

"(13) to purchase from liquidating credit unions notes of any individual members of such liquidating credit unions at such figure as may be established by the board of directors of both the liquidating and the purchasing credit unions;"

and (3) by renumbering the present subsection (13) as subsection (14).

SEC. 2. Section 15 of the Federal Credit Union Act (12 U.S.C. 1761c) is amended by striking out the words "up to the unsecured limit, or in excess of such limit if such excess is fully secured by unpledged shares".

SEC. 3. Section 18 of the Federal Credit Union Act (12 U.S.C. 1763) is amended (1) by striking out the word "or" and inserting a comma in lieu thereof between "Annually" and "semiannually" and by adding the words "or quarterly" after the word "semiannually"; and (2) by striking out the word "five" and inserting in lieu thereof the word "ten".

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,
May 11, 1967.

Hon. WRIGHT PATMAN,
Chairman, Committee on Banking and Currency, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This letter is in response to your request of February 28, 1967, for a report on H.R. 4256, a bill "To permit Federal employees to purchase shares of Federal- or State-chartered credit unions through voluntary payroll allotment." Since the two bills are similar, this letter is also in response to your request of March 10, 1967, for a report on an identically titled bill, H.R. 6157.

The bills authorize payroll deductions for the purchase of shares of a credit union, organized under State law or a Federal credit union, with a common bond composed of Federal employees and members of their families. The United States Government will be reimbursed for the cost of making such allotments. Allotments would be made only upon the basis of a written request by the employee.

These bills are designed to contribute to the basic objectives of the Federal Credit Union Act. They are intended to aid in promoting thrift among the Federal employees who are members of credit unions and in facilitating the accumulation of a fund for making loans to such members for useful purposes at reasonable interest rates. They are thus directed toward helping the members achieve a greater degree of financial stability.

Enactment of either of these bills is unnecessary. Authority now contained in U.S.C. 5525 authorizes agency heads to permit employees to make allotments out of their pay for appropriate purposes. However, the regulations issued by the Civil Service Commission to implement this provision do not allow deductions from Federal salaries for the purchase of shares of credit unions. The Commission believes that there is no need for an allotment procedure because employees may conduct business with a credit union with relative ease and convenience since credit unions frequently either are located in, or are provided with facilities in, the same building in which their members work.

Moreover, we understand that the Treasury Department feels that adequate efforts are being made by the Federal Government to encourage employees to develop the habit of saving a portion of their earnings through the voluntary payroll savings program to purchase Series E savings bonds.

We would therefore recommend that neither of the bills be enacted.

We are advised by the Bureau of the Budget that there is no objection to the presentation of this report from the standpoint of the Administration's program.

Sincerely,

WILBUR J. COHEN,
Under Secretary.

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM,
Washington, D.C., May 25, 1967.

Hon. WRIGHT PATMAN,
*Chairman, Committee on Banking and Currency,
House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: This is in response to your request of March 10, 1967, for the Board's views on H.R. 6155, H.R. 6156, and H.R. 6157, each providing certain amendments to the Federal Credit Union Act.

H.R. 6155 is a bill to amend the Act to modernize the loan, investment, dividend, and reserve provisions; to require the establishment of an education committee; and for other purposes.

H.R. 6156 would amend the Act to permit Federal credit unions to make long-term loans secured by real estate.

H.R. 6157 would permit Federal employees to purchase shares of Federal or State-chartered credit unions through voluntary payroll deductions.

Many of the provisions in the above bills are concerned with the internal management and organization of Federal credit unions. Inasmuch as these provisions do not relate to the Board's area of responsibility, it has no comment with respect to these provisions.

The Board does, however, have some question about the need for granting to Federal credit unions authority to invest in central credit unions and similar institutions, as contained in H.R. 6155. Although certain advantages, as well as disadvantages, are involved in the establishment of a central credit union to serve

Federal credit unions, it is noted that credit unions have had little, if any, liquidity problems in the past. On the contrary, they seem to have been able to attract ample funds from customers and to borrow from one another and from banks for seasonal or unexpected needs. Thus, the need for authority to make investments in central credit unions would seem to depend upon the possibility of greater liquidity problems in the future. Accordingly, a careful study of such problems might usefully precede legislative action on this point.

The Board also questions the desirability of H. R. 6156, which would grant to all Federal credit unions authority to make long-term real estate loans. Such authority would represent a radical departure from the traditional operations of Federal credit unions that specialize in much shorter-term credit advances. Investment in long-term real estate loans requires considerable expertise in loan origination and servicing, and involves loans of comparatively large average size. The loans are not readily salable in the secondary market (especially conventional loans), and it is a time-consuming and difficult process to realize on the collateral for the loans in case of foreclosure.

While it is true that some State-chartered credit unions can now make long-term real estate loans, it appears questionable to the Board that this authority should be granted to credit unions that are chartered by the Federal Government. In this connection, the 1963 report of the President's Committee on Financial Institutions implicitly opposed such long-term lending by Federal credit unions, stating at pp. 30-31:

"Credit unions might reasonably be expected to continue to concentrate on short- and intermediate-term consumer loans to their members. In the case of these institutions, considerations of safety and solvency loom particularly important, since credit unions are typically managed on a part-time basis by non-professionals whose judgment is likely to be most reliable in assessing the credit worthiness of their peers for relatively small consumer loans. Limitation to this kind of lending is also consistent with the special purpose of credit unions—which is, through cooperative action, to help close a possible gap in the availability of small loans to individuals."

If, however, the Congress should decide that authority to make these long-term loans is appropriate, the Board recommends that consideration be given to whether the loans should be fully amortized, whether an aggregate limit of as much as 25 per cent of assets is essential, and whether some limit on the maximum size of a single loan is needed in order to assure a certain degree of portfolio diversification.

Sincerely yours,

W.M. McC. MARTIN, Jr.

The CHAIRMAN. We have three witnesses appearing this morning: Mr. Fred Smith, General Counsel of the Treasury; Mr. Deane Gannon, Director of the Bureau of Federal Credit Unions; and Mr. R. C. Morgan, past president of CUNA International and manager of the Government Employees Credit Union, El Paso, Tex.

If you gentlemen will take your places there we would like to have the testimony of the witnesses in the order in which they were called first.

If you want to abbreviate your testimony, giving a summary and putting the statement into the record, that will be satisfactory. That is entirely up to you.

After the three of you have finished we will then interrogate you.

Mr. Smith, you are recognized first. We are glad to have you.

STATEMENT OF FRED B. SMITH, GENERAL COUNSEL, DEPARTMENT OF THE TREASURY; ACCCOMPANIED BY SIDNEY S. SOKOL, COMMISSIONER OF ACCOUNTS; AND GLENN JOHNSON, NATIONAL DIRECTOR, SAVINGS BOND PROGRAM

Mr. SMITH. Thank you, Mr. Chairman.

Mr. Chairman, two initial points. I am not prepared to testify on H.R. 13489. I did not understand my testimony was needed on that

and I don't think it is within the competence of the Treasury, particularly. So I will confine my remarks to H.R. 6157 if that is agreeable.

The CHAIRMAN. That is satisfactory.

Mr. SMITH. Secondly, I am proud to have with me here Mr. Sidney Sokol, who is the Commissioner of Accounts of the Treasury, and Mr. Glenn Johnson, who is the national director of the savings bond program.

The CHAIRMAN. All right.

Would it be satisfactory with you gentlemen, if we do not ask all the questions that the members would like to ask, if we were to submit questions to you in writing? You can answer the questions in writing when you look over your transcripts.

Mr. SMITH. It would be perfectly acceptable.

The CHAIRMAN. All right; we will do that.

Mr. SMITH. Mr. Chairman and members of the committee, I am pleased to have this opportunity to testify on H.R. 6157, a bill to permit Federal employees to purchase shares of Federal- or State-chartered credit unions through voluntary payroll allotment.

This bill would give Federal employees the right to make allotments from their salaries for payment on shares to credit unions. It would also require the credit unions to reimburse the Government for the reasonable costs of providing these special services; and the bill also provides for the Comptroller General to issue necessary regulations.

The Treasury Department is opposed to this legislation and recommends against its enactment. I shall shortly summarize the principal reasons why we think this would be undesirable legislation. But first, let me make it clear that the Government strongly supports the development among Federal employees of the habit of regularly saving a portion of their earnings.

In support of the objective, Federal credit unions have been provided with cost-free office space in the principal Government buildings in Washington and in major cities throughout the country. Salaried employees of the Government serve without compensation from the credit unions as directors and on their loan committees. The provision of quarters to which Federal employees have easy access and of these other privileges already afford the credit unions with a preferred status insofar as the savings of Federal employees are concerned. The encouragement of habits of thrift has been one of the principal objectives of the savings bond program, including the new "freedom share" savings note, for which payroll deductions are presently authorized and encouraged. Thus, I think that the Federal Government has already done a great deal to encourage Federal employees to save and make it easy for them to do so. The question posed by the bill is whether we should go one step further and permit payroll allotment for credit union savings. We think not.

Among several important reasons for our opposition, the strongest one is our conviction that enactment of H.R. 6157, or similar bills, would prove to be a crippling handicap to the successful operation of the payroll savings plan for U.S. savings bonds and freedom shares in the Federal Government.

Federal employees are currently purchasing through payroll allotments savings bonds and freedom shares at an annual rate of \$1 billion. This constitutes 20 percent of the total purchases through-

out the Nation of savings bonds and freedom shares. While it is difficult to assess the immediate effect of enactment of H.R. 6157, we believe that once established and in full operation it would result in a significant drop in our dollar sales to Federal employees. Part of this would be due to a reduction in the number of participants and the rest to a reduced scale of allotments.

The bases for this estimate are as follows:

(1) Most employees of the Federal Government having a desire to save are already on the payroll savings plan. The current overall participation rate of 66 percent—74 percent civilian, 60 percent military—is the highest since World War II and is not likely to go much higher. Therefore, this constitutes the lion's share of the market insofar as payroll allotment is concerned for both savings bonds and credit union shares, or other private savings.

(2) We can only assume that present enrollees are saving about all they feel they can afford to save. Of course, some of them have savings by direct deposit for which payroll allotment would be substituted. But, if they elect another savings form through payroll allotment, we believe it would be largely at the expense of savings bonds—either by dividing their allotments or switching over entirely.

(3) The validity of these assumptions is supported by surveys we have made with respect to payroll savings in private industry. These surveys show that there is a marked disparity in the size of per capita bond allotments between Federal workers and employees of private companies where credit union withholding is also done. Federal civilians average \$32 per month, and the total of Federal withholding, both military and civilian, averages \$23 per month. By contrast, a spot check of 11 companies which actively promote payroll savings for bonds, but also handle credit union deductions, shows an average monthly allotment for bonds of \$8.36.

Thus, there is strong evidence that direct competition with credit unions in the field of payroll deductions would result in a significant dollar loss to the savings bond program.

The question might be asked as to why the savings bond program should have the special privilege of Federal Government payroll deduction when other forms of savings do not. I think the answer is that the savings bond program is special and it is in the national interest that it should have this type of special assistance. Particularly in these times, it is a way in which Government employees can feel that they are making a contribution toward the efforts of our fighting men in this bitter and frustrating war in Vietnam. If participants today were motivated solely by the rate of return, purchases of savings bonds would be reduced. Of course, there are other attractive aspects such as maximum safety of investment and postponed payment of tax. But, if they had the convenience of payroll allotment, we feel that there would be a high rate of switching to other forms of saving.

As the costs of Government go up in direct relation to the costs of this war, the Treasury has two ways of financing these costs: Through increases in taxes and through public debt financing. And we have to guard against the problem of inflation. Taxes are, of course, the most noninflationary method of financing the costs of government. Second to taxes, savings bonds are the most noninflationary way to finance the Government's necessary expenditures.

Certainly, borrowing in this form is the best way for the Government to borrow while still keeping a lid on total public and private spending in the economy. In this sense, savings through the purchase of U.S. savings bonds is even more noninflationary than would be individual savings in other forms, for those other types of savings are eventually reflected in additional spending—however worthwhile that added spending may be—while in the case of U.S. savings bonds we can take Government spending as already given and then it is only a question of how best to finance that given amount of spending.

Let me briefly mention some other reasons why we believe this legislation is undesirable. Put simply, another important reason is that we think the time has come to draw the line and put a stop to the proliferation of payroll allotments. Already payroll systems include deductions for Federal and State income taxes; for civil service retirement and, where applicable, for social security taxes; for Government life insurance and health insurance; for combined Federal campaign charitable contributions and union dues; and for purchase of U.S. savings bonds and notes.

The administration of payroll systems, including all of these deductions, has become a tremendous task requiring the services of thousands of employees and a vast amount of expensive equipment. We feel that the Government should be, and is, the most enlightened employer in the country today, and that the allotments which are presently made are in the mutual interest of the Government and its employees. What is now proposed goes beyond the objective of mutual interest and enters into a kind of paternalism on the part of the Federal Government which should be avoided. As I have pointed out, through their credit unions conveniently located in the buildings in which they work, Federal employees already have an easy way in which to save. Also, under existing authority and Treasury Regulations, a Federal employee today can have his net salary, after all payroll deductions, paid directly to a financial organization of his choice for credit to an account of his choice. In most commercial banks, this same employee can, if he wishes, arrange to have part of this deposit transferred to a savings account, or he can, of course, draw his own check for deposit to a savings account in any financial organization of his choice.

When I testified on an identical bill before the Senate Banking and Currency Committee, I predicted that the proposed legislation would lead to demands by banks, savings and loan associations, and other financial institutions for like privileges. I said that the end result could be the extension of payroll deductions beyond reasonable limits, with the Federal Government serving as a banker or bookkeeper for many things that are personal affairs of its employees. Little did I realize at the time how accurate a prediction this would be, for the Senate Banking and Currency Committee reported out, and the Senate subsequently passed, S. 1084, which would extend the privilege of payroll allotments for savings not only to credit unions but to any bank, savings bank, or savings and loan association. We, of course, are vigorously opposed to enactment of S. 1084, and for the same reasons and for additional reasons relating to its legal and administrative methodology.

We are aware that the bill before this committee provides that the credit union shall reimburse the U.S. Government for the reasonable

cost of making a payroll allotment. It is exceedingly difficult to estimate what such costs would be because they vary from agency to agency and are, in part, dependent upon factors which cannot be calculated in advance, such as the frequency of changes in allotments. There are already two Federal payroll allotments for which reimbursement is required. These are the combined Federal campaign—for charitable contributions—and deductions for union dues. At the time that the Civil Service Commission was preparing to authorize these allotments, it made a survey to determine what would be a reasonable charge per item. On the basis of this survey which, at best, was an educated guess, the Civil Service Commission arrived at a standard charge of 2 cents per deduction on each payroll, which is the charge presently in effect. It should be pointed out that this charge was fixed sometime ago, and costs have risen substantially since that time. Moreover, this charge merely reflected the cost of setting up the allotment in the system and making the biweekly payments. It did not, for example, include any estimate of cost for changes in the amount of the allotment. This is because, in the case of the combined Federal campaign, an employee decides once a year how much he wishes to have deducted every payday for this purpose and the amount remains the same throughout the year. Union dues, once allotted, are also relatively static. Therefore, these two allotments are relatively simple and inexpensive to administer.

However, it is predicted that if payroll allotments were authorized for savings, employees would wish to change their allotments frequently and this, along with other operational considerations, would mean that the reasonable cost to be passed on to the credit union would be considerably higher—conceivably as much as 10 cents an item. I might add, parenthetically, that doing the same thing for savings banks and savings and loan associations, which S. 1084 would require, would undoubtedly involve even greater reimbursable unit costs. This is because most employees wanting the special service would have a choice of one among many such financial organizations and we would probably be making, within most payrolls, an individual payment for every participating employee to only one financial organization.

I wonder if the credit unions would still be in favor of this additional privilege if they were aware that they might have to pay a charge of this magnitude. Or, to put it another way, would not the credit unions, faced with such a charge, bring pressure to bear for the adoption of a charge of a considerably lesser amount which would amount, in effect, to an additional form of subsidy of their operations. The question arises as to whether the additional amount of savings which the credit unions would get would be worth the cost to them.

They probably would still be in favor of the bill, but possibly not solely or primarily because of the net gain that they would realize in the form of additional savings. In supporting the bill before the Senate Banking and Currency Committee, the Credit Unions National Association, CUNA, emphasized the much lower loss ratio on loans in private companies where payroll allotments for credit unions were permitted. Once payroll allotments for credit union shares are authorized, the credit union is then in a position to arrange with individual borrowers to sign a document authorizing each payday the transfer from his share account to his loan account of the amount required to

amortize the loan. Thus, to put the matter in a crude form, enactment of the bill before the committee could put the Federal Government in the loan-collecting business; and, if the allotment privilege were extended to banks and savings and loans, we would be helping them also to collect on their loans. This would be an especially valuable and cost saving item for lending institutions. It would eliminate a great deal of paperwork and the cost of stationery and postage necessary to send reminders to delinquent borrowers. It would reduce salary costs for those employees needed to handle individual transactions at the teller window on paydays and other peak periods. Without question, it would also be a convenience to the Federal employees concerned. But query: How far should we go in what we might call creeping paternalism in doing a multitude of things for all employees that each one is fully capable of doing for himself? And query further: If the Federal Government is to assist financial institutions in the collection of their loans what about helping others to collect amounts due—collection agencies, department stores, and so forth?

The possible abuse of this privilege by the financial institutions could result in the use by them of leverage on Federal employees who wish to borrow, in the sense that in order to get approval of a loan, the lending institution might require the borrower to execute a salary allotment and a document authorizing a crediting of a portion of the proceeds of his outstanding loan.

Mr. Chairman, this sums up some of the principal reasons why we are opposed to the enactment of H.R. 6157, but I want to emphasize without minimizing our other points of objection that the most important reason for our opposition is the damage which we feel it will do to our savings bond program. In this period of great competition for savings and high rates of return on some forms of investment, I think the Savings Bond Division of the Treasury has done a remarkable job in obtaining an increase from one-half billion dollars to \$1 billion in the amount annually dedicated by Federal employees through the allotment system to the purchase of savings bonds and freedom shares. It is going to be exceedingly difficult for them in the coming few years to maintain the rate of saving in this form, much less to achieve a substantial increase. We believe that their problem should not be aggravated by providing credit unions or indeed other financial institutions with additional privileges which would result in a loss to the savings bond program of a significant percentage of Federal employees' savings.

The CHAIRMAN. Thank you very much.

We will hear from the other two witnesses and then the committee members will interrogate the three of you.

Mr. Gannon.

STATEMENT OF J. DEANE GANNON, DIRECTOR, BUREAU OF FEDERAL CREDIT UNIONS, SOCIAL SECURITY ADMINISTRATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Mr. GANNON. Mr. Chairman, inasmuch as our Department has reported on H.R. 6157, my statement would only echo the position stated and I would be willing in the interest of saving time of the committee to yield my time to Mr. Morgan and confine my testimony to H.R. 13489, if it is agreeable with you.

The CHAIRMAN. Go ahead.

Mr. GANNON. At this time, Mr. Chairman?

The CHAIRMAN. Yes. Mr. Smith did not cover that bill. So you go ahead on that one, if you please.

Mr. GANNON. Mr. Chairman and members of the committee, I appreciate this opportunity to appear before the committee in order to present the views of the Bureau of Federal Credit Unions on H.R. 13489.

Briefly, we favor the enactment of sections 2 and 3, but we have serious reservations about the two proposals contained in section 1.

Of paramount importance in this bill, we believe, is the authority contained in section 2 giving credit committees of Federal credit unions discretion to expand the power of loan officers. Present law provides the credit committee with the authority to appoint loan officers, but limits their authority to the approval of loans up to \$750 or loans over that amount that are fully secured by shares. Section 2 would remove these restrictions, thus making it possible for the credit committee to set, with the board of directors' approval, whatever limits it believes appropriate within the overall limitations of the Federal Credit Union Act.

In practice, the present restriction means that many routine loans must be considered by the credit committee without the aid of a loan officer. This results in a great workload on such committees, which are composed of volunteers who devote their own time to this undertaking. Loans for new or used cars are a good example of the kind of transaction which could be considered by loan officers under the proposed amendment, if the credit committee chooses to make such a delegation.

This proposed amendment comes at an important time, Mr. Chairman, in light of your announcement today of the establishment of overseas suboffices by a number of stateside military credit unions, all of which are federally chartered. Through your efforts, Mr. Chairman, and of the other members of the committee, our servicemen overseas in many locations will have available to them for the first time the services of Federal credit unions. As you know from the testimony developed by the committee there is a great need for the thrift and low-cost loan services of credit unions existing among our military personnel overseas, particularly among the lower ranking enlisted men.

By enacting the proposal in section 2, Congress will permit the stateside Federal credit unions flexibility to grant the loan officers stationed overseas the authority they will require to be fully responsive to the needs of our servicemen. Needless to say, the authority will prove to be valuable to many other Federal credit unions as well.

Section 3 of the bill provides further desirable improvement in the operational flexibility of Federal credit unions by permitting the payment of quarterly dividends and the crediting of interest from the beginning of a month on shares purchased up to the 10th day of that month. These two proposed amendments would improve the service that Federal credit unions can provide their members and would promote additional savings.

As I indicated earlier, Mr. Chairman, we do have serious concern about the proposal contained in section 1, and I should like to discuss our position briefly at this point.

The first proposal would permit the investment of a Federal credit union's funds in an amount equivalent to 25 percent of its regular reserve in any organization controlled by credit unions or credit union associations. The language of the proposed amendment obviously is quite broad. It would cover a substantial number of credit union organizations, such as trade associations, stabilization funds, and State-chartered central credit unions, since the words "liquidity, solvency, and security" are open to a liberal construction. The significant point, as we see it, is that Federal credit unions can and do participate now in all such organizations. They do not invest in them, but they do pay dues or assessments or make loans to them. We therefore view this proposal as unnecessary and inappropriate as a Federal credit union investment.

Moving on to the second proposal in section 1, Federal credit unions would be empowered to purchase loans from liquidating credit unions. On its face, this proposal appears simple and relatively straightforward. It is, nevertheless, a major amendment which would have far-reaching and, in our view, unwelcome effects on Federal credit union operations. Perhaps the range of the problems we foresee can best be illustrated by a concrete example, the recent successful liquidation of Olmstead Air Force Base Federal Credit Union in Pennsylvania.

Olmstead Air Force Base Federal Credit Union was forced to begin liquidation in 1965 when the Secretary of Defense announced that the air base was being closed. The credit union at that time had \$4,854,874 in assets, \$4,799,377 in loans outstanding and \$287,594 in reserves and undivided earnings. After liquidation was completed, the credit union returned to its members 100 percent of their savings plus a liquidating dividend of 4.6 percent. The major action which permitted the successful liquidation was the sale of \$3,758,651 in loans at a 6.65 percent discount to a sales finance company. The low discount indicates that high-quality loans were involved.

There has been some concern expressed that this sale was made to an organization outside the credit union movement. But in light of the present capabilities within the movement, it is difficult to imagine how else such a large transaction could have been accomplished. The aggregate assets of all credit union stabilization funds, for example, are less than the total of loans sold by Olmstead. In addition, no single Federal credit union, with the possible exception of the very largest, would have had the liquidity to buy these loans. Clearly, the transaction was of such a size that a specialized, well-capitalized institution was needed—and in fact was found.

We have a serious question in our minds, Mr. Chairman, about the wisdom of authorizing Federal credit unions to purchase loans from liquidating credit unions under any conditions. Discounting notes is a sophisticated business which calls for skillful management in a field that is quite removed from the typical sphere of operation of Federal credit unions. It should be remembered that over 60 percent of Federal credit unions have less than \$250,000 in assets. Prospective purchasing credit unions would be in the difficult position of having to place a value on the loan portfolio of a credit union which might be located in another State. After purchasing the notes, the management would then have the problem of collecting the loans from persons who would have no common bond with the credit union. The combination of

volunteer management and the complexity of discounting notes of non-members is one that we believe should be approached very cautiously.

The real problem which neither of these proposals would resolve involves the question of what disposition should be made of loans which are "slow" or otherwise less marketable. Olmstead Air Force Base Federal Credit Union was well managed, and had sound loan policies. Its loan portfolio consisted in the main of loans which found a ready buyer. But not all loans comprising the residual in liquidations have such uniformly high quality. As you know, credit unions do not have insurance coverage by FDIC or FSLIC of up to \$15,000 of deposits or accounts, or the discount facilities available to other financial institutions. As a consequence, it is even more important that credit unions have alert, able management and adequate reserves in order that their financial soundness is assured. By and large, these two defenses have worked admirably, and losses to members of Federal credit unions have been very small in comparison to the aggregate amount of savings involved.

Enactment of either of the proposals in section 1 would, in our opinion, unnecessarily complicate the operations of Federal credit unions, distract the attention of officials from more important matters, and have no significant impact on the problems which all credit unions—both State and Federal—face in liquidation.

It is not our wish to minimize the seriousness of these problems. As you know, the Bureau has undertaken a massive study of the reserves held by Federal credit unions, in an attempt to ascertain whether present reserves, and the present statutory reserve formula, will be adequate to meet the needs of Federal credit unions in the years to come. This study will not be completed much before the end of the year.

We suggest that it would be advisable to await the outcome of our study before acting on legislative proposals in the area of liquidity and solvency. We therefore recommend that action on section 1 be deferred. But we hope that the committee would be willing to act separately on sections 2 and 3 in order that Federal credit unions may have the immediate benefit of the increased flexibility provided by these proposals.

The CHAIRMAN. Thank you very much, sir.

Mr. Morgan.

**STATEMENT OF R. C. MORGAN, DIRECTOR AND PAST PRESIDENT,
CUNA INTERNATIONAL, INC.**

Mr. MORGAN. Mr. Chairman, may I say at the very beginning what pleasure it is to be appearing before your committee, and particularly before you, sir, as you know, I am a neighbor of yours down in Texas. Your home, I believe in Texarkana is at one end of U.S. Highway 80 and mine in El Paso is at the other end, almost a thousand miles.

The CHAIRMAN. We are still neighbors and friends.

Mr. MORGAN. We are; and I repeat, it is indeed a pleasure to be here this morning.

Mr. Chairman, in the interest of time, I would like merely to summarize. If my statement may be printed in the record at this time.

The CHAIRMAN. It will be printed in the record at this point.

(The statement referred to follows:)

PREPARED STATEMENT OF CUNA INTERNATIONAL, INC., ON H.R. 6157 BY
R. C. MORGAN, DIRECTOR AND PAST PRESIDENT

CUNA International is pleased to have this opportunity to testify on H.R. 6157, and, at the outset of our testimony this morning, let us state our unqualified support for this bill. CUNA is seeking this legislation on behalf of some 1,428 credit unions with Federal employees as their basic membership bond. Representing 6.4 percent of all active credit unions, these employee groups had approximately 2.3 million members with total savings of \$1.1 billion at the end of 1965.

Basically, H.R. 6157 would amend the Federal Credit Union Act to provide that any Federal employee belonging to a credit union with Federal employees and members of their immediate family as the common bond would have the right to establish a savings program in the credit union via systematic deductions from his or her salary. That is all it provides for—nothing else. Yet, despite this simplicity, it is a highly important piece of legislation. This morning we would like to tell you why it is so and why, we would hope, you too would support H.R. 6157.

EXTENT OF PAYROLL DEDUCTIONS

Payroll deductions have long been recognized as a relatively painless method of allowing people to meet their legal, social, and economic obligations. It is nothing more than installment paying, a practice that is well accepted in this country. The Federal government is cognizant of its benefits since it requires employers, including the Treasury, to withhold taxes from the paychecks of employees. Similarly the government also provides payroll deductions from the paychecks of Federal employees for a large number of purposes in addition to Federal tax purposes: civil service retirement, state income taxes, social security, group life insurance, delinquent taxes, health benefits, savings bonds, labor union dues, dues for professional groups and associations, and contributions for various charities. Moreover, in the case of military employees, the Federal government is already making payroll deductions for savings purposes.

Industry knows the value of payroll deductions also. It is very common for a private employer to permit payroll deductions for all the reasons allowed for by the Federal government and, more often than not, for many more worthy purposes such as bank savings accounts, mortgage payments, stock purchase plans, and credit union savings. Presently there are about six states that grant payroll deductions for state employees to save, and there are literally hundreds of county and municipal governments which do likewise. Yet none of these employers consider this to be a burden. As a matter of fact, most of them consider it to be a definite asset to both employee and employer.

EXTENT OF CREDIT UNION PAYROLL DEDUCTIONS

Payroll deductions for the members of credit unions are extremely common among United States credit unions. A 1965 study by the CUNA International research department reveals that 10,709 out of approximately 16,800 occupational credit unions had some form of payroll deductions granted by employers. Most of these employers were industrial concerns but 1,700 were state, county, and municipal government agencies and school districts. According to the same study, credit unions with payroll deductions are found in all the states, and the system is equally popular among the smaller credit unions as among the larger credit unions.

Why are credit unions, employees, and employers embracing payroll deductions for thrift purposes so enthusiastically? We believe the reasons for this widespread acceptance lie in the many advantages of the payroll deduction program—advantages which flow to the worker, the employer, the credit union, and even to the overall economy of our Nation. We would like to discuss each of these benefits with you this morning.

BENEFITS TO THE EMPLOYEE AND THE EMPLOYER

First of all, let us look at the benefits to the employee. To begin with, it is a popular program with workers. A recent CUNA survey showed that immediately after a payroll deduction system is introduced in a credit union, 80 percent of the membership avail themselves of it as a means of increasing their credit union savings. Similarly, in a recent study by the Opinion Research Corporation for the Foundation for Commercial Banks, it was found that in 33 percent of U.S. households, someone is using the payroll deduction method of saving.

Obviously workers feel that by subjecting their financial affairs to this voluntary discipline, they are better able to meet emergencies or to finance large purchases. More importantly, by having a ready source of credit, they are less likely to fall prey to loan sharks or unscrupulous retailers. This leads to a financially stable work force with better morale and better work habits. Time-consuming creditor complaints to the payroll department are virtually eliminated. The emotional and psychological symptoms resulting from financial worries are minimized, thus serving to reduce the likelihood of personal bankruptcy—a dilemma of our times that has spread with an alarming frequency.

We are aware of the attitude of many administrators and officials that the immunity of government employees from many of the traditional creditor processes insulates the government from many of these problems. This is a false sense of security. It must be realized that the federal government employee has as many financial problems as most other employee groups. Fortunately not all government heads have this head-in-the-sand approach. The Department of Labor among others has recently given explicit recognition of these problems when it established a financial management and consumer education program for its employees. Financial problems had reached the point where they were affecting the overall efficiency of the Department. In addition, the Bureau of Federal Credit Unions offers a counseling course for any group of employees at any interested agency plagued with such consumer debt problems. Yet, despite these progressive programs at a minority of our government agencies, federal employees continually fall prey to the loan sharks, debt consolidators, etc.

That such problems exist in the government is not surprising. According to the Bureau of the Budget, 48.8 percent of classified employees are in grades GS-1 to GS-6. This would indicate that nearly a million federal employees are of moderate means, clearly requiring access to credit sources and special inducements to save.

But what is in this for the federal government as an employer? First, as we indicated earlier, payroll deductions will result in a financially stable work force with better morale, better work habits, better safety records, and improved worker efficiency. In addition, absenteeism will decrease as employees will be less prone to abuse privileges and will have less need to moonlight in order to meet their debts. In a nutshell, the employee becomes an efficient and integral member of the government agency team leading to better government service in a more economical manner.

BENEFITS TO CREDIT UNIONS

Payroll deductions are demonstrably advantageous to the overall operations of a credit union. A recent CUNA study compared 10,000 credit unions, both with and without payroll deductions. The averages and ratios on savings, loans, and delinquencies were consistently more favorable for those credit unions having the privilege of payroll deductions.

Moreover, by attracting ample share capital at minimal expense, payroll deductions make it easier for a credit union to offer consumer loans to members at low interest rates while providing an attractive dividend to savers on their shareholdings.

Hundreds of employee transactions can be handled automatically and at one time, thus eliminating the need for frequent individual visits to the credit union office. For those members of smaller credit unions with limited hours, there will now be a greater opportunity for savings without worry about arranging their work day to conform with the credit union hours. Furthermore, the office space required for credit union operations is lessened since fewer credit union officials can handle a greater volume of transactions. These officials will also have more time to assist distressed members by means of financial counseling and prorating of past due debts.

The key, of course, is convenience which in many cases of private enterprise will be the difference in operating in the black or red. For the thrift industry this is perhaps the most crucial factor in determining whether a person will save, and, if so, where he will save. The irony of it all is that people want to save and want to save more than they do now. But the inconvenience and discommodious wherewithal so often involved in getting around to making regular savings payments works to defeat these hopes.

BENEFITS TO THE ECONOMY

And lest we forget, H.R. 6157 offers inherent benefits to the overall economy, albeit indirect and somewhat minute. Yet, nevertheless, they offer a constructive step in reducing inflationary pressures. Promoting greater saving can be a most effective and painless way of fighting inflation. To the extent that this bill would encourage greater thrift, it would remove funds from the direct spending stream thereby helping to reduce inflationary pressures arising from that sector. To the extent that it facilitates the flow of funds to financial institutions, it would thereby ease credit conditions and remove some of the upward pressure on interest rates. Finally, real economic growth and increased productivity depends on enormous capital formation which can only be made possible in part by the willingness of the private sector to save a portion of current income. For both the government and our citizens, promoting economic progress requires increasing amounts of savings. But to increase the extent of these savings, it is necessary to facilitate the manner of saving by making it more convenient for the individual savers.

ADMINISTRATION ARGUMENTS IN OPPOSITION

During the past several years that CUNA has been attempting to obtain payroll deductions for government employees, we have been opposed by the executive department for various reasons. We believe it would be helpful to the committee to state the reasons and to offer our rebuttal.

In general, the reasons for the opposition of the administration to payroll deductions for government employees can be summarized as follows: (1) The federal government presently has authority to permit this privilege and further legislation is not needed. (2) If the payroll deduction is granted to credit unions, other savings institutions would ask for a similar privilege. (3) This would create an added burden on the government's payroll system and would be extremely costly to the government. (4) Credit union payroll deductions would adversely affect the federal savings bond program.

It is true that Public Law 87-304 (75 Stat. 662) grants discretionary authority to department heads, subject to Presidential regulation, to permit employees to make payroll allotments for any purpose deemed appropriate by department heads. As the administering agency of this law, the United States Civil Service Commission has refused all of our requests to permit payroll deductions for credit union savings, except for certain employees serving abroad or away from their post of duty.

We believe that it is futile to argue that this bill is not necessary since the authority to do what the bill requires already exists. Of course, Congress has heard this argument many times from departments that do not want to exercise discretionary authority and do not want Congress to require them to do so. The fact is that because of pressure from the Treasury Department, the Commission has refused to use its authority. H.R. 6157 would remove the discretion and make it the right of an employee to have payroll deductions for savings in his credit union. The benefits to be derived from such a service requires that Congress make the program mandatory. Congress is the only remaining source of action since we have exhausted our administrative routes and since the courts cannot generally require an administrator to do something that Congress has told him he is free to do or not to do.

The second reason for opposing the bill has probably been used each time a new deduction has been requested. Of course, our request would create additional work for those administering the government payroll but it would be necessary work and it would not cost the government anything since H.R. 6157 would require the credit union to pay any additional cost.

While we believe that credit unions are unique enough to be easily distinguishable from other financial institutions, we cannot seriously object to granting the same opportunity to the others.

A credit union, it should be stressed, is not a commercial organization. It is a non-profit membership association run on cooperative principles. Unlike commercial lending facilities, it does not serve the general public. It is confined solely to promoting the welfare of its members, which in the case of the Federal service are the employees of a particular government agency.

Further, credit union directors and committee members serve without compensation. Any income left over after allocation of reserves and payment of expenses are returned to the members in the form of dividends on shares and refunds of interest on loans.

The fourth reason, in our opinion, is the real and only reason that the executive department opposes H.R. 6157. Aside from the fact that it seems grossly unfair for the government to prevent its employees from having access to payroll deductions for other forms of savings simply because it wants to maintain a captive market for its own savings bonds, we have never seen any evidence that supports this argument. As a matter of fact, we recently obtained a list of companies on the Treasury Department's payroll savings bond honor role. Many of the companies also have payroll deductions for credit union savings. The conclusion may be that the savings bond argument is purely speculative and without merit. This conclusion is bolstered by the experience of the Department of the Army. As you know, the military have the allotment privilege through which they can make deposits to their credit unions. About 83.6 percent of these military people buy savings bonds. In the same department, civilian employees generally do not have allotment privileges, yet their participation in the savings bond program is only 74.9 percent.

CONCLUSION

In conclusion let us emphasize that H.R. 6157 provides for payroll deductions for savings purposes only. Let there be no confusion on this point. Payroll deductions under this bill are not available to pay off borrowings. I might add that where payroll deductions may be used for both purposes, statistics show that savings receive an overwhelming majority of the allotments.

We are of the opinion that the arguments we presented in support of H.R. 6157 are considerably stronger than the arguments presented against it and we respectfully urge its adoption by Congress.

FEDERAL CREDIT UNION ACT AMENDMENTS

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APPENDIX A.—SELECTED AVERAGES AND RATIOS OF U.S. CREDIT UNIONS: WITH AND WITHOUT PAYROLL DEDUCTIONS, BY STATES

[1965]

State	Borrowers/members		Average savings per member		Average loan per member		Delinquent loans/loans outstanding		Number of delinquent loans/borrower		Average auto loan per member	
	With payroll deduction (percent)	Without payroll deduction (percent)	With payroll deduction	Without payroll deduction	With payroll deduction	Without payroll deduction (percent)	With payroll deduction	Without payroll deduction (percent)	With payroll deduction	Without payroll deduction (percent)	With payroll deduction	Without payroll deduction
Alabama	60.71	45.88	\$607.17	\$417.26	\$543.70	\$382.12	2.32	3.31	3.92	7.09	\$76.10	\$63.32
Alaska	74.88	62.57	641.66	512.21	631.37	429.92	2.22	2.42	3.27	112.15	124.45	124.45
Arizona	63.21	43.35	574.96	430.90	484.38	400.22	1.96	3.38	2.28	6.03	137.78	77.33
Arkansas	69.55	54.96	379.59	404.68	359.05	421.83	2.15	3.24	3.54	5.15	95.05	157.54
California	69.54	45.84	628.08	501.39	486.85	406.50	2.06	4.50	3.50	8.74	162.64	126.83
Colorado	69.54	49.23	708.70	489.62	631.09	425.44	1.25	3.22	1.86	3.67	185.84	124.70
Connecticut	63.83	43.11	642.53	472.23	451.46	349.64	2.22	9.46	3.36	14.38	82.34	66.23
Delaware	81.57	50.04	504.20	368.87	477.12	365.04	4.10	4.02	4.75	6.22	43.71	—
District of Columbia	43.06	54.21	616.16	450.36	561.82	416.13	1.21	3.34	2.71	5.42	19.92	79.83
Florida	—	—	538.83	441.83	464.58	413.22	—	—	—	—	—	—
Georgia	87.92	54.12	533.29	566.50	456.95	502.65	1.21	2.42	1.69	4.48	120.66	107.07
Hawaii	59.82	46.09	756.40	492.40	550.31	574.24	2.14	4.11	2.47	4.88	114.39	116.77
Idaho	56.24	29.89	615.46	420.81	631.77	428.69	1.80	4.96	4.25	8.65	146.06	68.53
Illinois	52.20	38.48	615.46	447.37	480.02	387.42	2.76	2.14	5.86	3.33	108.62	88.53
Indiana	65.16	44.45	645.98	608.25	491.77	449.72	2.85	5.86	4.94	4.94	121.68	112.57
Iowa	45.11	36.92	640.60	481.57	566.82	429.41	1.31	2.29	6.61	7.98	100.94	82.00
Kansas	59.32	57.14	630.35	510.65	581.16	2.33	4.15	2.81	7.74	149.23	164.10	164.10
Kentucky	65.30	51.20	488.45	407.90	439.94	343.99	0.94	3.72	1.44	4.17	64.49	244.26
Louisiana	62.56	36.13	544.19	433.60	452.14	345.96	2.49	4.89	3.47	6.83	91.20	77.72
Maine	65.97	40.36	466.66	469.36	345.34	2.10	4.49	3.17	5.43	155.24	—	—
Maryland	72.57	43.70	416.41	352.99	465.68	303.99	1.01	1.99	1.85	4.76	110.15	96.90
Massachusetts	59.56	41.88	567.66	511.51	427.90	401.04	2.11	3.66	3.21	4.64	123.39	45.22
Michigan	61.59	35.11	665.22	516.86	614.16	428.32	1.61	3.32	1.80	4.65	179.31	135.03
Minnesota	54.87	41.92	966.08	623.69	552.74	528.04	3.64	6.38	5.65	16.25	150.04	125.02
Mississippi	73.89	47.73	433.27	434.87	519.27	414.77	1.22	3.27	2.04	5.49	85.84	145.23
Missouri	65.14	39.02	620.08	447.89	526.14	384.08	2.07	4.17	3.39	7.61	96.65	83.13
Montana	61.96	40.93	456.61	427.25	440.99	378.77	2.01	5.59	2.67	6.29	182.38	106.88
Nebraska	57.84	46.85	568.93	792.89	472.15	393.27	2.05	3.77	2.47	4.90	104.04	132.82
Nevada	72.71	52.00	572.01	578.09	539.10	506.31	2.29	4.10	2.01	5.91	253.61	159.14
New Hampshire	61.58	32.83	479.72	525.41	406.30	437.42	1.34	3.03	2.69	9.30	161.30	90.22
New Jersey	58.72	53.87	528.65	388.98	324.51	274.67	3.37	10.15	4.16	9.54	86.21	55.86
New Mexico	72.24	54.61	614.84	551.89	527.05	483.34	2.59	1.89	3.29	3.29	280.41	212.51
New York	—	—	600.79	428.80	435.53	342.25	4.27	5.98	—	—	73.49	45.45
North Carolina	76.46	43.55	406.55	333.75	382.13	286.54	1.13	1.40	1.45	3.28	45.43	53.00
North Dakota	45.76	43.33	509.69	487.94	482.38	417.54	4.24	4.03	4.03	4.93	43.74	14.83
Ohio	65.35	41.65	621.66	454.56	355.67	381.01	5.52	7.73	5.52	7.73	123.04	107.27

¹ Based on credit unions reporting for 1966 CUNA yearbook.

APPENDIX A.—SELECTED AVERAGES AND RATIOS OF U.S. CREDIT UNIONS¹ WITH AND WITHOUT PAYROLL DEDUCTIONS, BY STATES—Continued

[1965]

State	Borrowers/members		Average savings per member		Average loan per member		Delinquent loans/loans outstanding		Number of delinquent loans/borrower		Average auto loan per member	
	With payroll deduction (percent)	Without payroll deduction (percent)	With payroll deduction	Without payroll deduction	With payroll deduction	Without payroll deduction	With payroll deduction (percent)	Without payroll deduction (percent)	With payroll deduction (percent)	Without payroll deduction (percent)	With payroll deduction	Without payroll deduction
Oklahoma-----	68.84	63.80	511.80	753.49	491.98	613.88	1.54	2.06	1.44	3.89	133.36	230.85
Oregon-----	58.66	53.59	559.53	612.26	522.78	511.85	2.58	2.58	162.11	4.37	162.11	232.78
Pennsylvania-----	54.61	38.73	515.76	379.75	389.77	288.64	6.29	3.64	8.59	63.71	63.71	23.73
Puerto Rico-----	69.49	65.14	420.07	276.23	405.57	275.18	1.03	5.73	3.49	7.87	21.38	26.63
Rhode Island-----	51.49	31.51	578.14	827.77	495.64	643.12	2.67	5.36	5.12	93.33	118.41	118.41
South Carolina-----	90.27	67.77	446.10	352.82	434.00	339.79	1.05	2.37	1.36	2.38	83.77	99.44
South Dakota-----	62.34	37.40	571.98	490.87	483.84	384.28	2.69	5.61	3.05	7.00	225.23	91.33
Tennessee-----	71.64	53.61	618.78	481.28	541.20	462.38	1.24	1.82	2.36	4.24	137.12	150.96
Texas-----	68.61	53.23	550.00	569.37	523.13	535.94	1.32	5.34	2.17	10.33	138.43	347.66
Utah-----	62.21	56.97	656.12	487.67	611.07	476.85	4.40	6.59	4.90	6.21	186.28	130.88
Vermont-----	45.63	33.70	405.99	362.63	403.67	365.01	2.22	4.61	4.71	8.02	147.94	88.45
Virginia-----	74.02	51.02	492.14	524.20	491.22	448.71	1.30	4.83	1.72	6.10	96.00	46.95
Washington-----	70.27	48.63	646.64	669.38	698.26	577.66	1.80	3.01	3.29	4.96	42.08	141.83
West Virginia-----	68.86	41.32	506.61	347.70	490.66	291.54	2.23	5.42	2.61	8.21	128.35	76.37
Wisconsin-----	50.51	38.78	698.36	537.61	643.42	434.74	1.91	3.13	3.25	5.59	125.63	96.08
Wyoming-----	59.50	43.17	530.97	610.91	498.57	534.77	424.31	1.95	4.24	6.14	190.53	124.20
Total-----	58.77	41.62							3.23	7.41	123.19	117.40

¹ Based on credit unions reporting for 1966 CUNA yearbook.

APPENDIX B.—WHERE THE MONEY WENT: TO PAY LOANS OR INTO SHARE ACCOUNTS—SURVEY OF PAYROLL DEDUCTIONS OF 90 CREDIT UNIONS, 1961 AND 1962, BY MONTHS

[In percent]

	1961			1962		
	Payments on loans	Share balances	Total	Payments on loans	Share balances	Total
January.....	17.44	82.56	100	21.79	78.21	100
February.....	20.45	79.55	100	21.48	78.52	100
March.....	20.61	79.39	100	21.53	78.47	100
April.....	21.02	78.98	100	21.89	78.11	100
May.....	22.04	77.96	100	21.69	78.31	100
June.....	22.14	77.86	100	21.77	78.23	100
July.....	21.46	78.54	100	16.97	83.03	100
August.....	21.41	78.59	100	-----	-----	-----
September.....	21.24	78.76	100	-----	-----	-----
October.....	21.79	78.21	100	-----	-----	-----
November.....	21.49	78.51	100	-----	-----	-----
December.....	21.18	78.82	100	-----	-----	-----

Source: A Study of Savings, Savers and Borrowers, and Education Expenditures for Large Credit Unions, p. 53.

APPENDIX C.—SELECTED AVERAGES OF OCCUPATIONAL-TYPE FEDERAL CREDIT UNIONS WITH AND WITHOUT PAYROLL DEDUCTIONS

Item		With payroll deductions	Without payroll deductions
Number of Federal credit unions.....		1,284.0	2,126.0
Ratio to total of type.....	percent	37.7	62.3
Average potential membership.....		977.0	1,043.0
Average number of members.....		520.0	381.0
Ratio of actual to potential members.....	percent	53.2	36.6
Average assets.....		\$99,096.0	\$51,532.0
Average assets per member.....		\$191.0	\$135.0
Average shares per member.....		\$175.0	\$122.0
Average amount of loans outstanding.....		\$48,631.0	\$28,988.0
Average number of loans outstanding.....		217.0	149.0
Average size of loan outstanding.....		\$224.0	\$194.0
Ratio of outstanding loans to total assets.....	percent	49.0	56.0
Average number of loans granted in 1948.....		485.0	245.0
Average amount of loans granted in 1948.....		\$107,193.0	\$53,651.0
Average size of loan granted in 1948.....		\$221.0	\$219.0
Ratio of number of loans granted in 1948 to number of actual members.....	percent	93.0	64.0
Average amount of delinquent loans.....		\$1,783.0	\$2,402.0
Average number of delinquent loans.....		12.0	17.0
Ratio of amount of delinquent loans to amount of loans outstanding.....	percent	3.7	8.3
Average income.....		\$5,200.0	\$2,955.0
Average expenses.....		\$2,045.0	\$1,294.0
Average net earnings.....		\$3,155.0	\$1,661.0
Ratio of net earnings to total income.....	percent	60.6	56.3

Source: U.S. Bureau of Federal Credit Unions, "Payroll Deductions as an Aid to Federal Credit Union Operation," Mimeo (Washington, D.C., October 1949), p. 3.

PREPARED STATEMENT OF CUNA INTERNATIONAL, INC., ON H.R. 13489 BY R. C. MORGAN, DIRECTOR AND PAST PRESIDENT

Mr. Chairman, I am here to endorse H.R. 13489 on behalf of the 11,500 Federal credit unions that are members of CUNA International, Inc.

H.R. 13489 was introduced by Representative Patman at the request of CUNA International. It contains several provisions which we believe will help Federal credit unions to better serve the needs of their members.

The purpose of H.R. 13489 is to modernize Federal credit union procedures to accord with present day lending practices. The bill would improve Federal credit union procedures in three ways:

(1) It would permit the credit union movement to establish its own institutions for the purpose of protecting the liquidity, solvency, and security of credit unions.

(2) The credit committee of Federal credit unions would have unlimited authority to delegate lending authority to a loan officer. Under present law only \$750 in lending authority can be delegated if the loan is not secured by shares.

(3) Federal credit unions would be allowed to pay dividends on a quarterly basis (rather than annually or semiannually under present law) and give dividend credit for share deposits made within the first ten days of the month.

LIQUIDITY, SOLVENCY, AND SECURITY

Section 1 of the bill contains two separate provisions which are related in that they are both designed to allow Federal credit unions to continue developing the means of protecting the savings of their members without recourse to public resources or governmental authority by providing additional means for promoting the liquidity, solvency, and security of Federal credit unions. While savings lost by members of Federal credit unions have actually been less than savings lost by depositors and shareholders of insured financial institutions, we realize that the economy of our country is constantly undergoing many changes and we realize that it is often difficult to anticipate the result of many of these changes. We are therefore taking steps to organize and strengthen organizations owned and operated by credit unions and credit union members, thereby helping us to maintain our excellent record.

STABILIZATION PROGRAM

The first part of Section 1 amends subsection (7) of Section 8 of the Federal Credit Union Act (12 U.S.C. 1757). It gives a Federal credit union authority to invest up to 25 percent of its regular reserve in one or more incorporated or unincorporated organizations which are controlled by credit unions or credit union associations and which use funds so invested for purposes of establishing and maintaining the liquidity, solvency, and security of credit unions. This amendment is intended to permit Federal credit unions to participate directly in the stabilization and reserve pooling concepts of CUNA Stabilization Program, Inc. At the same time, the language is intentionally broad enough to permit investment in any other credit union organization which uses funds for maintaining the liquidity, solvency, and security of credit unions.

Generally speaking, the proposed amendment would cover the existing stabilization and reserve pooling programs of CUNA and the various state leagues, as well as the activities of some state central credit unions. The state central credit unions would qualify only if membership control is vested in credit unions or credit union associations.

In order to more fully explore the concept under discussion, it will be useful to point out that the credit union movement has over the years been developing a stabilization program. Many of the state credit union leagues have stabilization programs which, of course, differ in their authority and in their methods of operation. Any of these state league stabilization programs may affiliate with CUNA Stabilization Program, Inc. The general purpose of CUNA Stabilization Program, Inc., is to aid in the financial rehabilitation and stabilization of credit unions.

CUNA Stabilization works entirely through leagues, primarily through financial grants and assistance, and it carries on no activities of its own. On the other hand, league stabilization programs work directly with financially distressed credit unions. The emphasis at the league level is on technical rather than financial assistance, but financial assistance is available to purchase loans, etc., if that should become necessary. Probably the most successful example of a good credit union league stabilization program is that operated by the Michigan Credit Union League. During its first eight years of existence, which includes that period of time up to the present, the League has successfully avoided any losses to credit union members in the state of Michigan.

It is of course realized that when a program is as successful as that of the Michigan League, it tends to augment the reserves that are otherwise required by law. Therefore, it seems quite logical to permit a Federal credit union to pool a portion of the reserves with other credit unions for the purpose of assisting in the financial rehabilitation and stabilization of all participating credit unions. The effect of this system is to charge individual credit union losses against the reserves of all participating credit unions. Therefore, the risks are spread out and the chances of an individual credit union liquidating with losses to its members is minimized. Of course, funds placed in the pool will be invested so that income can be earned.

PURCHASING NOTES OF LIQUIDATING CREDIT UNIONS

The second part of Section 1 is also designed to maintain the liquidity, solvency, and security of credit unions. It would permit a Federal credit union to purchase from a liquidating credit union the notes of the individual members of the liqui-

dating credit union. It should be noted however that the individual member whose note is being purchased would not become a member of the purchasing credit union unless he is within the common bond of the purchasing credit union. This proposal would allow a league stabilization program to call upon Federal credit unions for assistance in helping to stabilize or liquidate a distressed credit union. The stabilization fund would ask the Federal credit union to purchase some of the notes of the distressed credit union thereby providing liquidity to the distressed credit union without substantially impairing the funds of the stabilization fund. This would allow the stabilization program to funnel out the good notes to the purchasing credit unions and to use its own funds to purchase the more risky notes. The end result would help to assure that each member of the distressed credit union would receive at least 100 percent on the dollar.

SELF-HELP AND LIQUIDATIONS

Both of these proposals will enable Federal credit unions to fully implement their basic purpose of self-help. They will allow credit unions to help one another without seeking external assistance. At the same time, they provide an additional option to liquidating credit unions and regulatory officials thereby increasing flexibility in handling the problems which arise from the liquidations of credit unions. In this regard, it is worth noting that liquidations of credit unions are not comparable to liquidations of other financial institutions or businesses. Actually, within the credit union context, liquidations are a sign of volatility and vitality in the economy. It must be remembered that credit unions can only serve members that have a common bond. When this common bond no longer exists, then the credit union generally liquidates. The destruction of the common bond can be caused by the closing of a military installation or an industrial plant, by a merger, by population shifts, by plant moves, and by all of the various other factors which are present in our contemporary economy.

These two provisions are simply extensions of the self-help program which the individual members of credit unions have been carrying out since the organization of the first credit union. The credit union movement considers this self-help characteristic to be basic to its operations and philosophy and has transferred this principle to credit union related organizations that have been established within the credit union movement. We prefer to continue in this path.

AUTHORITY OF LOAN OFFICER

Section 2 of the bill would authorize the credit committee to delegate to the loan officer the power to approve loans on the same basis as the credit committee presently does. At the present time, the Federal Credit Union Act allows the credit committee to appoint one or more loan officers and to delegate to him or them the power to approve loans up to the unsecured limit (\$750) or in excess of such limit if such excess is fully secured by unpledged shares. This means that a loan officer cannot approve a loan for an automobile; nor can he approve a loan secured by an insurance policy; nor can he approve a loan secured by a co-signer.

The original Federal Credit Union Act made it mandatory for the credit committee to approve all loans. However, in 1959, the Act was amended to allow the credit committee to appoint loan officers and granted them the authority mentioned above. The 1959 amendment was granted by Congress in order to reduce the burden placed upon the credit committee. Congress recognized that the credit committee is made up of voluntary members who are not compensated and who often find it difficult to meet on short notice. This authority has proved to be extremely useful and has not changed the character nor the operations of Federal credit unions. The credit committee continues to perform a very valuable function and its overall authority has not been diminished since the loan officer is, and will be under this proposal, required to furnish to the credit committee a record of each loan approved or not approved by him. In cases where the loan has not been approved by the loan officer, the credit committee is required to review the loan application and to act upon it.

By extending the authority of the loan officer, a reduction in the work load of the credit committee will become evident. This will enable the credit committee to devote more time to reviewing applications for loans which require extended treatment. At the same time, it will give the credit committee time to counsel more extensively with the credit union member and to provide him with more personal assistance in arranging his finances. It will also allow the Federal credit union to serve its members more quickly and efficiently.

MODERNIZED DIVIDEND PAYMENTS

Section 3 of the bill would authorize a Federal credit union board of directors to declare dividends quarterly and would allow it to apply a dividend credit for the first ten days of the month. At the present time, the board of directors has authority to declare dividends annually or semiannually, and it has authority to apply a dividend credit for the first five days of the month. In other words, any shares that are fully paid up during the first five days of the month are eligible to receive a dividend credit.

These two provisions are designed to allow Federal credit unions to continue to attract savings with the use of contemporary methods which have attained considerable acceptance by other financial institutions. They are inducements for savers which are very necessary to some Federal credit unions to attract savings in order to have funds to lend to members. Failure to adopt contemporary inducements could possibly result in a decline of savings inflow which in turn could cause a reduction in the low interest loans that credit unions were chartered to provide.

Mr. MORGAN. Thank you, sir.

First, I would like to say a few words about H.R. 6157, which is the proposal, of course, to permit Federal employees to have deductions made from their paychecks for deposit to savings shares of federally chartered or State-chartered credit unions.

We very much appreciate Mr. Smith's support in his testimony of credit unions, their purposes generally, and so on.

However, we simply cannot share some of his apprehensions about the effect that enactment of this legislation would permit a different kind, to our mind, a different type of savings entirely by deposit in the credit union shares rather than the bond program concerned.

I would like to spend most of my time simply rebutting, if you please, sir, what Mr. Smith has said on behalf of the Treasury about the effects, the fears that Treasury apparently has of the bad effects that payroll deductions for credit unions would have on the bond sales program to Federal employees.

I think this is the primary reason, as I understand it, from Mr. Smith's testimony, that Treasury is opposed to this legislation.

To begin with, Mr. Chairman, I think it would be—it seems to me to be grossly unfair for the Government to prevent its employees from having access to payroll deductions or other forms of savings simply because it wants to maintain a captive market for its own savings bonds. We have never seen any evidence that supports this argument. As a matter of fact, we recently obtained a list of companies on the Treasury Department's payroll savings bond honor roll. Many of the companies also have payroll deductions for credit union savings. The conclusion may be that the savings bond argument is purely speculative and without merit. This conclusion is bolstered by the experience of the Department of the Army. As you know, the military have the allotment privilege through which they can make deposits to their credit unions. About 83.6 percent, Mr. Chairman, of these military people buy savings bonds. In the same Department civilian employees generally do not have allotment privileges, yet their participation in the savings bond program is only 74.9 percent, substantially below that of the military where they do have the allotment privilege, Mr. Chairman.

I submit to you that savings for the purchase of bonds are a different type of savings than savings in the credit union and the share account. In the first instance, the savings are a permanent type of savings where the employee bought because of patriotic reasons, to help his

Government, to help finance the war in Vietnam, for example, and for personal reasons—for the building of a personal nest egg, usually for some future purpose which he either knows about and knows there will be a long time before he can realize certain financial goals or simply for some purpose that he is not sure of—just the rainy day sort of thing.

I am treasurer-manager of a Federal employee credit union with about 20,000 members and in my experience the members of our credit union in El Paso, Tex., do buy savings bonds and I am sure that the percentage of participation is very high in the Government installations in the El Paso vicinity. I know that these same people also save in their credit union share accounts. But where the bond savings are a semipermanent type of savings, their credit union savings are savings which are where they leave them there; if they need the money they simply make a loan against those savings and they are savings which are more—they are of more immediate use to them, you see, for an entirely different purpose.

I submit to you now, it is my personal experience that the members of my credit union, 20,000 of them, do both. They buy bonds and they save in their credit union shares.

Now, why the Federal Government should deny its employees the same privilege that the employees of most progressive industrial organizations and businesses have to save in their credit unions through payroll deductions, I for the life of me just cannot understand.

Now, we have some statistics here, some further research, and just taking an example of large industrial concerns which afford their employees the benefit of payroll deductions, let us take Lockheed Aircraft with a total of 74,702 employees, has 59,000 of those employees covered by payroll deductions, yet employees participating in bond purchases is 99 percent. Certainly in this case, Mr. Chairman, the authority to deduct from paychecks for the purpose of credit union shares could not have very seriously affected bond sales if we have 99 percent anyway.

We have others—North American Aviation with 79-percent participation in the bond drive.

Boeing with 78 percent, and so on.

We have merely picked these as illustrative. I submit to you that the comparison between the percentage which Mr. Smith used in his testimony, the comparison between U.S. Government employees and the employees of business firms generally was not a very valid one unless the business firm, the private business that you were talking about uses the same zeal in connection with the bond drive that the Federal Government uses, and as a former Federal employee myself, I know that the sales, the bond sales effort is quite effective in Federal installations. So again, we simply do not share Mr. Smith's apprehensions.

To deal very briefly, still summarizing, with some of the Treasury's other objections, so far as the costs are concerned, many credit unions do pay private employers a per transaction charge for withholding funds for credit union shares.

Parenthetically here, Mr. Chairman, let me say that we also have made studies of where, in private industry, payroll deduction money goes. It goes overwhelmingly to shares. Mr. Smith made a point that payroll deduction will merely go to collecting the delinquencies of credit

unions which have payroll deductions. And he also stated that the member can authorize an automatic transfer from his shares.

Our studies, Mr. Chairman, show that this simply by and large is not true, because in credit unions which have payroll deductions, most of the money, at least 3, 4 to 1 ratio goes to the shares. These people make payroll deductions for the purpose of building their shares. Then, if they need to borrow they can simply borrow against those shares and repay the loan separately from the share deposits. They do not use the payroll deduction for repayment of loans, but rather to build up shares—see appendix B of our statement.

I call your attention to the fact that this H.R. 7157 provides for payroll deductions for savings purposes only. I hope there will be no confusion on this point—payroll deductions under this bill are not available to pay off borrowings.

So far as the cost, and I am rambling a little bit—so far as the cost is concerned, certainly this would be nominal since the credit unions are to reimburse the Treasury and I see no problem particularly with the computerized payroll procedures commonly used in Federal establishments now. I see no problem either to the Government or to the credit union because the credit union could easily absorb these costs which Mr. Smith has estimated in his testimony, I believe, up as high as 10 cents per item. They can easily absorb them, they do absorb them and pay these fees to private employers and still at a substantial savings in bookkeeping, employee time, and so on to the credit union. It is simply much more economical to process a long list of payroll deductions than to take this money a little bit at a time over from a teller window or something like that.

So, Mr. Chairman, in conclusion let me say that CUNA International on behalf of almost two and a half million U.S. Government employees wholeheartedly supports H.R. 6157. We believe it will be good for the U.S. Government, it will certainly be good for the credit unions, for the members of the credit unions, and we believe for the national economy.

The CHAIRMAN. Thank you very much, Mr. Morgan.

Mr. MORGAN. Would you like me to proceed with the other bill, H.R. 13849?

The CHAIRMAN. Yes, you may do so. You may summarize it if you desire.

Mr. MORGAN. Thank you, Mr. Chairman.

After listening to Mr. Gannon's testimony, particularly with respect to the first part of section 1 of this bill and his reference to a study of reserves which the Bureau of Federal Credit Unions has, we understand, already undertaken, I would simply say that we are perfectly willing to go along with this as a reasonable approach.

Now, this is without minimizing our support or our concern, our interest in having this type of legislation enacted as soon as possible. But we would be quite agreeable to deferring this section 1 of this bill until such time as the Bureau completes its study of the entire problem of credit union liability—liquidity, solvency, and the reserves.

So we will pass over that very briefly.

Now, we certainly support the loan officer provision. We point out in this connection that this legislation would enable the credit committee of a Federal credit union, and the credit committee is composed of volunteers—they are not paid, they have to make a living other-

wise. This would enable them to authorize one or more loan officers in the credit union to exercise the powers of the credit committee in approving loans.

Presently, under legislation enacted by the Congress in 1959, the credit committee may delegate only up to \$750 limit, approval authority for loans to loan officers.

A loan officer cannot, for example, approve a loan, say, for \$2,000 on a \$3,000 automobile which may be a more secure loan actually than a \$750 signature loan. He has no discretion above this \$750. He has no discretion above this amount and simply in the interest of relieving the credit committee of the burden as uncompensated volunteers of considering a great volume of loan applications routinely in a credit union, this would enable them to delegate their authority to a loan officer who could, and in this connection when a credit union member needs a loan these days he needs it now, and this would certainly expedite and render more efficient service to the members of the credit union, so we very much support this.

Now, just briefly, we consider the provisions for quarterly dividends—we consider this merely a housekeeping sort of thing, Mr. Chairman, which will enable us to keep pace with other savings and thrift institutions.

I think that I will conclude by simply supporting Mr. Gannon's testimony in this respect and in support of H.R. 13489.

The CHAIRMAN. Thank you very much,

The members will have the privilege of asking questions in writing and the witnesses will answer them when they look over their transcripts for approval,

I will forgo my time.

Mrs. Sullivan?

Mrs. SULLIVAN. I will be very brief.

Mr. Smith, why do we allow the military to make deductions for the credit union savings and yet the military has a record of having the highest participation in purchasing U.S. savings bonds?

Mr. SMITH. Let me first correct—there is a discrepancy between Mr. Morgan's figures and mine. We made a careful study. The percentage of participation according to our study by civilian employees of the Federal Government is 74 percent and by military is 66 percent, not 83.6 percent as Mr. Morgan said. So I want to correct that.

I think the reason is, there is a special need in the case of the military to have this facility. Two principal reasons—one, they move around all the time, and they are not like the average Federal employee who is located in one place and has probably got a bank across the street where he can go deposit his savings. A man in the military may be from Dubuque, Iowa, and he has his basic bank account there where he wants to save and he is moving all around all the time and so that is one reason.

Another is, in many cases, bases are located way out in the country somewhere, where there aren't possibly adequate facilities for him to conveniently go and make his savings.

I think those are the principal types of reasons. And people overseas, for example, fighting in Vietnam, there has to be some way for them to be able to deposit something in a savings account and I think that is the reason why the distinction is made and the special arrangement is made for the military.

Mrs. SULLIVAN. Do you really have figures on the participation of the military employees in buying U.S. savings bonds as against other Government employees purchasing Government bonds?

Mr. SMITH. Yes, those are the percentages, I believe, I gave you; namely, 74 percent for civilian Federal employees and 66 percent for military rate of participation.

Mrs. SULLIVAN. Do you feel that by allowing the payroll deduction from other Government employees, you take away that incentive or that push to have some of those sales for Government bonds?

Mr. SMITH. Yes. And one further point on that is, you shouldn't only look at the percent of participation, because there is also a question of how much. If they have the privilege of payroll allotment also for credit unions, while they might continue their bond deduction, they might reduce it, you see, so that even though the rate of participation wouldn't be affected, the amount that went into the savings bonds could be significantly affected.

Mrs. SULLIVAN. I would like to ask Mr. Morgan, why do you feel now that it is necessary for other Government employees to have the payroll deduction instead of contributing as they do?

Mr. MORGAN. Well, Mrs. Sullivan, if I may refer first to these statistics that you asked Mr. Smith about, the 83.6 percent of the military people, according to the information we have, now buy bonds. These statistics are for the Department of the Army—military and civilians in the Department of the Army. We obtained these figures directly from the Department of the Army and in the Department of the Army where we have the military personnel who do have the privilege of making an allotment to credit unions, and a great many of them do, we find 83.6 of those people are buying bonds whereas only 74.9 percent of the civilians are buying bonds and the civilians do not have the payroll allotment privilege, you see, to credit unions. So in an agency where you have the directly comparable groups—one which may make an allotment to a credit union and one which may not, the ones which may make the allotment are buying bonds or at least their participation is significantly higher than those who may not.

Mrs. SULLIVAN. But why the drive to let them have a payroll deduction instead of coming in to make their payment?

Mr. MORGAN. This is simply to provide the Federal employee the same privilege that his military fellow employee, so to speak, has, and also the same privilege that most progressive business private employers afford their employees. The credit union, of course, is a unique sort of employee organization. I won't go into a great deal of detail there, but it is not a commercial organization. And many a large corporation considers their employee credit union a fringe benefit.

Mrs. SULLIVAN. It would be a convenience, is that it?

Mr. MORGAN. It would be a convenience and would stimulate savings which would not go into bonds, but other savings, which would be anti-inflationary.

Mrs. SULLIVAN. Would it save any time that they take away from their jobs during the day in order to visit the credit union office?

Mr. MORGAN. It would save considerable time. It would be a great convenience to the employee in that he would not have to visit the credit union office, it would similarly be a great convenience in the savings of time and money to the credit union so that it could render better services, could do more financial counseling, for example.

Mrs. SULLIVAN. Another question, then. My understanding is that H.R. 6157 would allow any Federal employee who is a member of the credit union the right to have payments and shares, and so forth, and the credit union receives the allotment and will reimburse the U.S. Government for the costs incurred in making such allotments. One of you said that it would be about 10 cents per employee, is that it?

Mr. MORGAN. Mr. Smith had some cost estimates in his testimony.

Mr. SMITH. Mrs. Sullivan, I was about to ask the chairman—I received too late for inclusion in my statement some statistics which the Civil Service Commission ran off on costs and administrative expenses. I have three paragraphs here which shed quite a bit of light on it and I was hoping somewhere along the line that I could read it into the record.

The CHAIRMAN. You may insert it in the record at this point.

Mrs. SULLIVAN. I believe the chairman said you could insert the full report into the record at a later time and just give me a résumé of what makes up the cost.

(The material referred to follows:)

INFORMATION FURNISHED BY STAFF OF CIVIL SERVICE COMMISSION

1. Approximately 2 million Federal employees are paid through computerized payroll systems. An additional 500,000 are paid using punch card procedures and about 300,000 under Manual procedures.

2. The conservative cost of an allotment, excluding check preparation is 2¢ per individual per pay day. This assumes no change for an entire year, and does not cover one-time costs to initially establish the new allotment in agency payroll systems. The 2¢ cost is for automated systems; the cost increases by about 50% for manual systems.

3. Establishment of an allotment for credit unions would cost at least twice as much, depending upon extent of change. Changing an allotment is expensive; for example, just to prepare a punch card for the change costs 7¢. Assuming two changes a year, the direct cost would be about 5¢ for automated systems, plus one time costs to program the computers for the new system. A minimum total cost would be 7¢ per individual per payday.

4. Under the Senate version, costs would be significantly higher. Costs would be incurred in establishing the Administrative Mechanism with the individuals and the financial institutions, in preparing instructions, in programming computers and in maintaining the changes that would have to be processed. We estimate that the costs would be somewhere between 10 and 20¢ per individual per pay period for instituting the Senate bill procedures. This does not include check preparation and mailing which would add at least another 8¢ per check.

5. The administrative costs under the House bill could total 2 to 5 million dollars each year. The administrative costs under the Senate bill could total 10 to 20 million dollars each year. Whether the full costs can be recovered through charges to financial institutions is uncertain.

6. There are no benefits to the agencies to be gained from the proposed legislation. Therefore the administrative burdens to be undertaken will not be offset by benefits to the agencies. Even though reimbursement is made, agencies will still have problems in obtaining the resources to comply with the proposed legislation. These resources (particularly computer programmers) are in short supply.

7. Administration of the legislation is complex. It involves obtaining statements from individuals on allotments, entering into agreements with financial institutions, accounting for allotments and reimbursements, setting up mechanisms for check consolidations where appropriate, and keeping track of charges. These allotments are much more complex than those for union dues and charitable contributions because of their varying in nature and because of the large number of financial institutions agencies must deal with.

Mr. SMITH. We have this basic charge now which is 4, 5 years old, of 2 cents per allotment. That is what we charge on union dues and the Combined Federal Campaign.

This is for automated systems to begin with. All the Federal payroll is not automated. Approximately one-third is not automated and the cost is 50 percent higher for manual systems.

Then, they estimate that establishment of allotments for credit unions, the basic cost would be at least twice as much, depending on the extent of the changes that would be made in it—frequent changes can be made in the amount of savings and you don't get that in union dues or in the Federal campaign.

Mrs. SULLIVAN. Instead of going into detail—because you are going to put it in the record—how would the credit union have to pay this back? Would they charge per person, then?

Mr. SMITH. Yes.

Mrs. SULLIVAN. In order to reimburse the agency which was making the deductions.

Mr. SMITH. Yes. Really, it covers—to cover costs they would have to, whenever there were changes there would have to be a billing. It gets into a complicated administrative problem to keep track because you cannot anticipate in advance how many changes there will be.

So in order to cover the real costs—they wind up here with a basic cost of at least 7 cents per allotment plus charges for changes, plus costs of the initial setting up. They come to a total estimate that administrative costs under H.R. 6157 would be somewhere in the range of \$2 million to \$5 million to the Federal Government and under S. 1084, which would be an administrative horror, the administrative costs are estimated to be somewhere between \$10 million a year and \$20 million a year.

Mrs. SULLIVAN. Can you tell me on the deductions from the military group, are the credit unions repaying the agency now for these deductions?

Mr. SOKOL. I do not believe so.

Mr. SMITH. I don't really know. But I would be glad to get that information.

Mrs. SULLIVAN. I think we ought to know what they are paying—what it is averaging per person in the military and in the Department to which it is charged.

Mr. SMITH. I shall be glad to try to get that information for you.
(The information referred to follows:)

No allotments of pay for military personnel are subject to reimbursement of the Government's operating costs by financial institutions. The military allotment of pay system has been in operation for over 75 years in the mutual interest of the Government and its military personnel. It is noteworthy that similar arrangements apply also to civilian employees assigned to posts where they do not have ready access to financial institutions, including posts overseas. This is on the same basis of mutual interest of the Government and its employees.

Mr. STANTON. Will the lady yield?

Mrs. SULLIVAN. Yes.

Mr. STANTON. Does this report show that in any way deductions for savings bonds are not sufficient? This report that you have there? Is the amount you charge—

Mr. SMITH. We do not make any charge.

The CHAIRMAN. Mr. Widnall.

Mr. WIDNALL. I thank you, Mr. Chairman.

Mr. Smith, we certainly welcome you and all the others before the committee today. I appreciate your testimony.

I must say you made a very strong statement and pointed up some things that are extremely important to the Treasury and also in our consideration of the bill.

I would like to know this and I do not think we ever see the figures.

There are a tremendous number of payroll deductions throughout the United States for savings bonds through what you call voluntary payroll allotment. Are there any figures as to how long those bonds are held after the voluntary payroll deduction?

Mr. SMITH. Yes, there are. I would like to ask Mr. Johnson—do you have that schedule with you?

Mr. JOHNSON. The average series E bond is held for seven and a half years.

Mr. WIDNALL. How many are cashed in within what year, what percent?

Mr. SMITH. We have a table which I will submit for the record, but my recollection is that in the first year—after the first year it is a pretty high percentage in that first year—something like 46 percent or something like that, but do not hold me to it. After you get over the hump of that first year the rate reduces quite significantly.

Mr. WIDNALL. Almost half have cashed in within the first year?

Mr. SMITH. I know it is a high percentage, but whether it is 36 or 46, I am not sure. This is just from memory, but I will be happy to get it and submit a table showing the percentage that are cashed in each year during the life of the bonds.

(The information referred to follows:)

PERCENT OF SERIES E SAVINGS BONDS SOLD IN EACH YEAR REDEEMED THROUGH EACH YEARLY PERIOD THEREAFTER

Year of issue	Redeemed by end of—									
	1 year	2 years	3 years	4 years	5 years	6 years	7 years	8 years	9 years	10 years
1956	32	43	49	54	57	60	62	64	66	70
1957	33	43	49	54	57	60	63	65	67	-----
1958	32	43	48	53	56	59	61	64	-----	-----
1959	35	44	50	54	57	60	63	-----	-----	-----
1960	34	44	49	53	56	59	-----	-----	-----	-----
1961	33	42	47	52	55	-----	-----	-----	-----	-----
1962	34	43	48	52	-----	-----	-----	-----	-----	-----
1963	33	41	46	-----	-----	-----	-----	-----	-----	-----
1964	34	43	-----	-----	-----	-----	-----	-----	-----	-----
1965	36	-----	-----	-----	-----	-----	-----	-----	-----	-----

Note: The percentages shown in this table are proportions of the value of the bonds sold in any calendar year which are redeemed before July 1, of the next year, and before July 1 of succeeding calendar year calculated at original maturity value.

Mr. WIDNALL. Voluntary subscriptions make me think of the general or colonel soliciting subscriptions to bonds through allotment of pay, stating: "You want a promotion, don't you?" at the time the solicitation is made. It makes me think also of the time I flew to Nevada with a congressional delegation to witness the firing of the first atomic shell. I said to the gun crew: "You are all volunteers, aren't you?"

One answered immediately: "They call it that."

Well, I think you have a very definite problem that deserves and merits the attention of the committee and I for one appreciate your bringing it to our attention in the very strong statement that you have made.

Mr. Gannon, you state you have serious reservations as expressed in your statement as to the enactment, at this time, of the two proposals contained in section 1. I think these two proposals warrant far more consideration than just a casual hearing at this time and more opportunity for credit unions themselves to think it all through. I believe it would be very wise to take some more time on this.

The CHAIRMAN. Mr. St Germain?

Mr. ST GERMAIN. Thank you, Mr. Chairman.

Mr. Widnall brought out a point when he asked about the savings bonds that were cashed in within a period of 1 year. I am wondering if it is not costing us money, as you say, it is so expensive, to have these deductions out of the payroll—are you not losing money by having people buy their savings bonds in the military by means of the payroll deductions?

Mr. SMITH. I think quite clearly not. To begin with, of course, the savings bond is one of the simplest forms of deduction and allotment. Of course, we have—through the good efforts of Mr. Johnson and his cohorts in the Savings Bond Division—we have quite significantly increased from a half billion to a billion dollars the amount, the annual rate now of savings bonds and freedom shares purchased by Federal employees.

I might ask Mr. Johnson if he has anything he wants to add to this.

Mr. JOHNSON. No.

Mr. SMITH. We certainly think it is well worth the cost.

Mr. ST GERMAIN. You expressed great concern over the fact that if the Federal credit unions were allowed to have their savings deducted under the payroll deduction plan, that there would be a tremendous variable. How about things on variables as far as amounts that people are investing in savings bonds? Do they not vary also? You are going to vary from month to month. Does not this same thing vary with respect to savings bonds?

Mr. SMITH. Yes. There are variations and changes in savings bond allotments. But this is a basic form of savings where I don't think there are anywhere near as frequent changes. There are more variations in what I might consider as a supplementary form of savings. A man buys a car and he finances it and he says, "Well, I want to change my credit union deduction for the next 6 months while I am paying off on this car."

Mr. ST GERMAIN. He might want to change the savings bond deduction also, because he is spending a little more from his payroll for his car so he does not have as much. It is logical.

Mr. SMITH. It is logical.

Mr. ST GERMAIN. A man can afford to save what he can afford to save and it varies with what his expenditures and income are.

Mr. SMITH. Certainly it is logical except that I think the savings bond allotment is more basic and less subject to change.

I know in the case of my own savings bond allotment it has been the same for over 3 years.

Mr. ST GERMAIN. You are with the Treasury, are you not?

Mr. SMITH. But the amount I put in the credit union varies. I have not been able to put anything in the credit union for several months now, much to my sorrow.

Mr. ST GERMAIN. Maybe if the pay bill goes through you can improve that.

As far as the legislation is concerned, you express in your testimony fear about the amount that the credit unions will have to pay in return for this service. You realize, of course, that the legislation makes it very clear that if this were to pass they would have to bear the cost.

Mr. SMITH. Yes, indeed.

Mr. ST GERMAIN. When you come down to it, that is not much of an argument.

Mr. SMITH. Well, I just make this comment, that up until now, the history has been to charge direct administrative costs which are something quite different from the total overall costs on cost accounting principles of this. So I really think that like those that we have now, there will probably be a considerable element of subsidy in terms of what would be charged to the credit unions.

Mr. ST GERMAIN. In private industry, in most instances, where you have situations where credit unions have the privilege with the employer of having the savings deducted, this is a fringe benefit, is it not, and as a result of negotiations between the union and management?

Mr. SMITH. I don't know about the negotiations. I am not familiar with that, but I would consider it a fringe benefit.

Mr. ST GERMAIN. Here, unfortunately, the Federal employees do not have these privileges of negotiation with the Federal Government and do not ask for this fringe benefit. So perhaps we could look upon it as a fringe benefit that is provided to the Federal employees.

I have nothing further.

The CHAIRMAN. I wonder if we could agree to have an executive session at 11:30 and determine what we will do with any part of these bills. Will that be satisfactory?

Is there any objection?

Mr. BROWN. Mr. Chairman, as I understand it, you are leaving us 20 minutes for further questions?

The CHAIRMAN. That is right.

Mr. BROWN. With six members?

The CHAIRMAN. I am not using my time and you have 3 minutes each.

Mr. BROWN. I am sorry there is no quorum present.

The CHAIRMAN. We will have one by 11:30.

Mr. BROWN. I am not sure it is adequate time.

The CHAIRMAN. If it is not we will postpone it. We might pass out one of the bills.

All right. Notify the members of 11:30.

Mr. Clawson?

Mr. CLAWSON. I will be as brief as possible with the few questions that I have.

Mr. Smith, you have indicated that you did not have all of the costs involved, but that you did have the administrative costs in connection with the payroll deduction. Am I correct in that understanding?

Mr. SMITH. Yes, I have an estimate from the Civil Service Commission.

Mr. CLAWSON. You show other costs involved and you could provide those costs. Do you think you could work out an arrangement with the credit unions?

I understood from Mr. Morgan that the credit unions would be willing to underwrite the costs of the payroll deductions as they are

made. So I am sure that this could be worked out mutually between you if you could develop those figures. That would probably help this whole procedure.

Mr. SMITH. I would hope if we had this, we would work it out to cover the full cost.

Mr. CLAWSON. Not just the administrative costs, the full costs?

Mr. SMITH. Yes.

Mr. CLAWSON. This would be one of the considerations, Mr. Morgan, that would be worked out in an arrangement with the agencies involved.

Mr. MORGAN. May I make it very clear here that credit unions are not asking for any subsidy in this respect at all. We are asking for the same treatment for Federal employee credit unions as most private employers now afford and we are quite willing to reimburse the full cost.

Mr. CLAWSON. Thank you.

Is my understanding correct that where you provide for payroll deductions for both the savings bonds and credit unions and where you have participation that the percentage rate is actually higher in both instances for both payroll deductions for savings bonds and credit unions, is that correct?

Mr. SMITH. The Federal Government, as far as the civilians are concerned, does not permit payroll allotment—

Mr. CLAWSON. I am speaking now of the military where you do provide it.

Mr. SMITH. What is your question?

Mr. CLAWSON. What is the ratio or percentage between the bonds and savings—just what proportions?

Mr. SMITH. The figure that I have, based on a study made by the Savings Bond Division, among Government civilians, 74 percent participation in the bond program and among the military personnel, 66 percent.

Mr. CLAWSON. So it is reduced in the military?

Mr. SMITH. There is a lower participation in the military than overall. As I understand Mr. Morgan, he gave a figure showing a very high military participation in the Department of Defense and I don't challenge that. I don't have any basis for doing so. But the figure that I am giving is overall.

Mr. CLAWSON. Total. And Mr. Morgan had only one part of it—

Mr. SMITH. That is right.

Mr. CLAWSON. I was trying to reconcile those figures. Perhaps that is the reason.

Mr. MORGAN, one question in connection with your statement.

You indicated that the majority of these payroll deductions are not used for debt amortization purposes but for the shares. In the turnover of the shares do you have any statistics to show how many might be cashed in or converted into cash and what period they are held before this is done in connection with any debt amortization?

Mr. MORGAN. We don't have any specific statistics, sir, but I can tell you from my experience in credit unions that shares simply do not turn over. I would say that the turnover is much less in credit union shares than it would be in savings bonds.

In that connection, in connection with the bonds, according to a recent article in the Washington Post, during a 6-month period there were \$392 million worth of bonds sold and \$397 million turned in.

I don't know how long the \$397 million had been held, but our experience in credit unions is that a member who makes the payroll allotment for savings leaves his savings and then in emergency if he needs money for something he still does not withdraw it, his savings. He merely borrows against them and repays.

Mr. CLAWSON. You have not, however, developed statistics on this?

Mr. MORGAN. No, we have not, but it would be very low—the turnover would be very low because of insurance benefits, the benefits, and the credit union discourages, and as a practical matter it is not in the members' best interests to withdraw the savings.

Mr. CLAWSON. Thank you very much.

I have no further questions.

The CHAIRMAN. I wonder if all members want to ask questions. Those that desire to ask questions hold up their hands.

(Whereupon there was a show of hands.)

The CHAIRMAN. We will limit that to about 2 to 3 minutes.

Mr. Gonzalez.

Mr. GONZALEZ. The only question that I have is with reference to the voluntary payroll allotment. In essence, how would that work?

Mr. SMITH. For credit unions?

Mr. GONZALEZ. What would be the mechanics?

Mr. SMITH. For credit unions?

Mr. GONZALEZ. Yes.

Mr. SMITH. I will ask Mr. Sokol to supplement me.

The CHAIRMAN. Let Mr. Morgan answer that. He has had personal experience.

Mr. MORGAN. It would work by the employee making a written request to his pay office, to the appropriate Government office for the deduction of a certain amount from each pay check for transmittal to the credit union. Then the pay office would transmit a single check, perhaps, with a list of the employees, the amounts for credit to each employee's account. It is a very simple procedure. It could be the same procedure or similar to that used by the private employers, which certainly is not burdensome on them.

Mr. GONZALEZ. Suppose he changed his mind a month later? What would he do?

Mr. MORGAN. Simply file another written notice. In that connection, however, on the basis of my personal experience, these allotments simply do not change. With all due respect to Mr. Smith I do not believe that the typical employee would be any more likely to change the amount of his credit union allotment than he would be of his bond deduction.

Mr. GONZALEZ. I notice that you make provision for reimbursement for any cost to the Government in this program. Generally, what does this cost represent?

Mr. MORGAN. I believe that Mr. Smith could answer that better than I. I would simply comment, again, that we are not asking for any subsidy in this regard and we are quite willing to pay any cost that this would entail.

The CHAIRMAN. They anticipate it will cost about 2 cents but it is possible it will go up to 10 cents.

Mr. Smith said the credit unions will pay the cost.

Mr. GONZALEZ. This question is repetitious.

Mr. SMITH. Supplementing what Mr. Morgan said, the first part that he described is correct. I do not know whether it will be monthly or quarterly, but the payroll office or somebody would have to bill the credit union and they would have to analyze the number of changes during the period and the cost thereof, and each time they received notification of a change they would have to reprogram the payroll allotments for whatever number of employees there were.

As I said, something like two-thirds of the payroll, the Federal payroll, is computerized so programmers have to periodically—they have to do it every payday to reprogram for changes, you see.

Mr. GONZALEZ. Thank you.

The CHAIRMAN. Mr. Johnson?

Mr. JOHNSON. Mr. Chairman, I think these gentlemen have made a very fine presentation here, but I think the real sleeper in these bills is the removal of the ceiling whereby a loan officer can loan more than \$750 unsecured,

Now, I notice in the example at the Olmstead Air Force Base, this credit union had assets of \$4,854,874 and \$4,799,377 in loans outstanding, indicating no absence of demand for loans. My first question is, What is the present maximum that anybody can loan from a credit union? Which one of you gentlemen would like to answer that?

The CHAIRMAN. Mr. Gannon, probably.

Mr. GANNON. The Federal Credit Union Act imposes a limit of 10 percent of the unimpaired capital as a maximum loan that may be made to any individual member. However, the law also permits the board of directors to set a maximum loan that may be made, both secured and unsecured.

Under this proposal, sir, I think that you would find that the loan officer would be operating within the criteria established by the board and by the credit committee.

Mr. JOHNSON. Supposing I had a \$5,000 deposit in the credit union, how much could I borrow from the credit union?

Mr. GANNON. If the credit union had unimpaired capital of \$50,000 or more, up to \$5,000, because your loan would be fully secured by shares. Under the present law the loan officer could approve that.

Mr. JOHNSON. What is then an unsecured loan within the meaning of the credit union law?

Mr. GANNON. An unsecured loan would be one which is just a signature loan. If you had \$5 in your share account and you wanted to borrow—you would be limited to \$750 under the present law.

Mr. JOHNSON. If we remove this ceiling, the loan officer could loan you \$2,000 if he wanted to?

Mr. GANNON. But he would have to require that the loan be secured over \$750. It doesn't change the unsecured loan limit, sir. It just changes the authority to approve loans.

We anticipate that probably the credit committee will indicate that he might approve a loan on an automobile to the extent of 60 percent of the retail value for a period not to exceed 36 months. It is that type of criterion.

Mr. JOHNSON. Do you think removing this restraint on the loaning power of the loan officer, that it will be a good thing for credit unions? Will it result in excess loans, and will it mean a loan portfolio not as good as the credit unions have today?

Mr. GANNON. First of all, I don't regard that this change will increase the loan activity in credit unions. It will ease the burden now

placed on the members of the credit committee who must meet on every loan except those now authorized. These people as you know have a full-time job. This is something in addition to their regular work. I do not believe that there will be any deterioration in the loan portfolio.

The CHAIRMAN. Mr. Minish?

Mr. MINISH. Mr. Smith, I see that you oppose this legislation and then on page 6 you say a Federal employee today can have his net salary, after all payroll deductions, paid directly to a financial organization of his choice for credit to an account of his choice.

Mr. SMITH. Yes.

Mr. MINISH. Why could you not do that with the credit union?

Mr. SMITH. I think you could. But I don't think very many employees are going to have their whole paycheck transferred to the credit union.

Mr. MINISH. I am not saying that they would have their full check. But as long as you have a practice of doing it, why couldn't an employee have part of his salary transferred to a credit union?

Mr. SMITH. He could.

Mr. MINISH. You do it in the case of other financial institutions.

Mr. SMITH. Under the present authorization, he either takes his paycheck or he has the whole amount transferred to a financial institution which could be a credit union, but he couldn't have a portion of it transferred to the credit union. It has to be all or nothing. This is just a deposit facility, you see.

Mr. MINISH. We can agree that you could transfer part of his check if he asked to have it done.

Mr. SMITH. It can physically be done. It can be mechanically done.

Mr. MINISH. Is that not all that this legislation asks for?

Mr. SMITH. Yes.

Mr. MINISH. Mr. Smith, on the same page, you testified that you were concerned there would be demands by banks, savings and loans institutions, financial institutions, for like privileges. Then you said it could be an extension beyond reasonable limits.

So what you accomplished here is getting some additional requests. Maybe that is what you want.

Mr. SMITH. With respect to your first comment, I am afraid maybe you are right.

Mr. MINISH. Mr. Morgan, what is wrong with the savings bond program? I think it is a good program and one we should all support.

Mr. MORGAN. Nothing, sir. I intended to say, and overlooked it, particularly given this payroll deduction privilege, we would be very glad to encourage credit unions to sell savings bonds. We think we could help Mr. Smith increase his sales. Some credit unions presently sell savings bonds.

Mr. MINISH. Thank you. That is all, Mr. Chairman.

The CHAIRMAN. Mr. Brown.

Mr. BROWN. Thank you, Mr. Chairman.

I would like to ask Mr. Morgan why the legislation, as proposed, is limited to share accounts rather than payroll deductions for borrowings?

Mr. MORGAN. Simply because what we hope to accomplish is increased thrift, increased savings. As I emphasized previously, this is restricted to savings for the purpose of encouraging Federal employee

credit union members to build up their savings. This will give credit unions more capital, you see. It will enable us to do a better job, literally helping the Federal agencies to stabilize their employees.

Mr. BROWN. I assume, then, from the standpoint of other savings accounts or share accounts, that you feel that savings and loans, banks, and other financial institutions have as much of a justification for asking that similar payroll deductions be made for contributions to those savings accounts; is that correct?

Mr. MORGAN. That is something which would be up to the committee, Mr. Brown. The credit union is not a commercial institution. In the case of a Federal employees' credit union, it is an employees' organization. It is a unique sort of organization.

Mr. BROWN. From the legislation I have seen so far, it seems to me they are trying to become more of a commercial institution.

I assume, Mr. Morgan, under the proposal of H.R. 6157, that the cost of the payroll deduction, of administering the program, would be reimbursed to the Government, and that such charge would be paid by the credit union, rather than charged against individual members' accounts?

Mr. MORGAN. Paid by the credit union, as part of its administrative cost.

Mr. BROWN. A charge on all members, in effect?

Mr. MORGAN. But all members would have the privilege of making allotments.

Mr. BROWN. Mr. Gannon, what is your comment on a proposal of that nature?

Mr. GANNON. I see no objection to it, Mr. Brown. As Mr. Morgan indicated, this privilege would be made available to everybody, and everybody would share the cost.

Mr. MORGAN. It would, Mr. Brown, undoubtedly result in an overall reduction in overall operating costs because it is less to process a deduction, rather than to take it from the employee who has to go to the office, take time out, and that would be reflected to the benefits of all members, irrespective of whether all members avail themselves of the privilege.

Mr. BROWN. Mr. Gannon, we have had conversations, of course, about the question of group credit life insurance, as it applies to all members, and of having the charge spread across the board to all members.

We have also talked about the question of employment disruption insurance, which would be available through an optional plan and there has been some opposition to this kind of proposal, because it would apply to certain members and not all. Are we not getting into a bit of a bind here, if we allow certain things to be at the option of individual members, and other things not to be?

Mr. GANNON. No; it is a little bit difficult to say yes or no to your question, Mr. Brown, because of the implications of what might be involved, but I don't think the two are related. I don't believe the payroll deduction costs would be adverse to the interests of all members, as they might be if they were involved in the sale of insurance.

Mr. BROWN. Is it not a benefit to the credit union, to all the members, if the problem of delinquencies, defaults, and all that—if those matters are taken care of by employment disruption insurance?

Mr. GANNON. As I indicated to you, if the credit union felt that this was a risk that they wanted to guard against, they are at liberty

to buy this insurance to cover all their loans. But this is quite different from the credit union selling disruption insurance to certain members.

Mr. BROWN. Mr. Morgan, what is the experience of private industry in the area of payroll deductions? How broad is its application? Can you tell me that?

Mr. MORGAN. Its application is rather broad. As I recall, about two-thirds, or almost two-thirds, of all credit unions in private industry do have payroll deduction privileges.

Mr. BROWN. That is a matter that is negotiated with the employment contract?

Mr. MORGAN. Not necessarily. Many corporations voluntarily furnish it from the very beginning. They regard the credit union as so beneficial in stabilizing and solving the financial problems of their employees, that they encourage in the beginning this sort of thing. Many times they furnish technical assistance, and so on, to getting it going, including the payroll deductions, from the beginning.

In other cases, it is negotiated later. In many cases, the employer furnishes the deductions at no charge to the credit union. In others, a charge is made. I know of charges ranging all the way from 2 or 3 cents, up to maybe 10 cents. I think 10 cents is the highest on actual reimbursing—on actual reimbursable basis. It is a very happy arrangement for the credit union, employer, and employee.

Mr. BROWN. Thank you.

The CHAIRMAN. Mr. Wylie wanted to ask a question and so did Mr. Galifianakis. If you will make it brief, we can do something about this this morning.

Mr. WYLIE. Mr. Morgan, could this additional authority result in an increase of the unsecured lending power of these credit unions?

Mr. MORGAN. The loan officer provision?

Mr. WYLIE. Yes.

Mr. MORGAN. No, sir; because that is regulated by law. That is, the unsecured limit is a matter of law, and which is very efficiently enforced by Mr. Gannon and his staff, I can assure you.

Mr. CLAWSON. Law, or regulation?

Mr. MORGAN. Law.

Mr. WYLIE. Could it possibly increase the amount of money which could be loaned on a secured basis?

Mr. MORGAN. No, sir.

Mr. WYLIE. Here is the point that I am making. As I understood it, loans are now made based on the value of the shares—secured loans, that is—a person owns in the credit union; is that correct?

Mr. MORGAN. Well, partially, yes. The present loan officer limit is \$750 above what the member has in shares. So, to that extent, it is based on the shares. But the credit union may take, certainly, other security; an automobile, for example.

Mr. WYLIE. Could it be increased if his savings are increased? Can a member assign his savings account to secure loans?

Mr. MORGAN. Yes.

Mr. WYLIE. Yes. One other question. H.R. 13489 provides that Federal credit unions may invest an amount not exceeding 25 percent of its regular reserve in incorporated or unincorporated organizations controlled by credit unions or credit union associations. What is the nature of these organizations?

Mr. MORGAN. These would be primarily the stabilization programs of the various State leagues, State associations of credit unions, in the CUNA stabilization program.

However, earlier, you may recall Mr. Gannon suggested further study of this particular section, and we are quite agreeable to that. We think it is something very important, something that we should not approach too hastily. But these would be credit union controlled organizations, you see.

Mr. WYLIE. Financial institutions?

Mr. MORGAN. No, sir. They would be either incorporated or unincorporated instrumentalities of the organized credit union movement.

Mr. WYLIE. What type?

Mr. MORGAN. CUNA International Stabilization, Inc., for example. This is an international stabilization program, an incorporated program.

Mr. WYLIE. What is their authority or purpose?

Mr. MORGAN. Its purpose is to stabilize, assist credit unions who are in financial distress. It works through the leagues.

Mr. WYLIE. Does such a corporation or association buy stock in the credit unions?

Mr. MORGAN. It may buy notes, may make interest-free advances, for example. It may do, literally, anything which, in its opinion, is necessary to stabilize and assist the financially distressed credit union.

The CHAIRMAN. Mr. Galifianakis?

Mr. GALIFIANAKIS. Thank you very much, Mr. Chairman.

If the authority were enacted into law to make the payroll deductions, who ascertains the cost to the Government—the Government?

Mr. SMITH. The Civil Service Commission presently does, and I would assume would do it if it were enacted into law.

Mr. GALIFIANAKIS. How large a task would it be for the Civil Service Commission to ascertain the cost from time to time?

Mr. SMITH. I think it would be a very difficult chore because costs, from agency to agency, would vary, for one thing.

Mr. SOKOL. In the existing types of payroll allotments, that are subject to reimbursement, we have two administered by the Civil Service Commission for the Government, the union dues and combined Federal campaign. The effort there has been to come up with the word, "reasonable." You can get into all kinds of debates in the subject of allocation of costs, and the question of incremental costs. This is an ever-ending debate.

So the word, "reasonable," is a very important word. The Civil Service Commission makes polls of all of the agencies to determine what is the reasonable reimbursable cost to assess, and it is a combination of various circumstances and various procedures, various systems. In determining that reimbursable cost on a reasonable basis, a rule of thumb is used. For example, it doesn't include the initial costs of implementation. For example, the issuance of regulations, issuance of instructions, the initial cost of this so-called simple thing in reprogramming computer systems—and nothing is simple, incidentally—

The CHAIRMAN. We have a quorum now, and we have agreed to pass on this at 11:30.

If it is satisfactory with the members, we will ask for an executive session.

Thank you very much.

(Whereupon, at 11:30 a.m., the committee proceeded into executive session.)



CREDIT UNION BILLS

HEARING BEFORE THE

SUBCOMMITTEE ON FINANCIAL INSTITUTIONS
OF THE

COMMITTEE ON BANKING AND CURRENCY
UNITED STATES SENATE

NINETIETH CONGRESS

FIRST SESSION

ON

S. 1084 and S. 1085

TO PROVIDE FOR AUTOMATIC PAYROLL DEDUCTIONS FOR
CREDIT UNION SHARES FOR FEDERAL EMPLOYEES AND TO
MAKE CHANGES IN THE FEDERAL CREDIT UNION ACT TO
FACILITATE PRESENT-DAY OPERATIONS

JULY 11, 1967

Printed for the use of the
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2801.2

CREDIT UNION BILLS

TUESDAY, JULY 11, 1967

U.S. SENATE,
COMMITTEE ON BANKING AND CURRENCY,
SUBCOMMITTEE ON FINANCIAL INSTITUTIONS,
Washington, D.C.

The subcommittee met, pursuant to call, at 10:02 a.m., in room 5302, New Senate Office Building, Senator John Sparkman, chairman of the full committee, presiding.

Present: Senators Sparkman, Proxmire, McIntyre, McGee, and Brooke.

Senator SPARKMAN. Let the committee come to order, please.

I hope we may have other Senators. We are all busy with various committees. I think others will come, but I think we had better get started.

Today the Subcommittee on Financial Institutions is holding hearings on S. 1084 and S. 1085. S. 1084 provides for automatic payroll deductions for credit union shares for Federal employees. S. 1085 would make a number of changes in the Federal Credit Union Act to facilitate present-day operations.

I introduced these bills on February 27 and look forward to constructive hearings. I would like to have copies of the bills and the agency reports inserted in the record at this point.

90TH CONGRESS
1ST SESSION

S. 1084

IN THE SENATE OF THE UNITED STATES

FEBRUARY 27, 1967

Mr. SPARKMAN (by request) introduced the following bill; which was read twice and referred to the Committee on Banking and Currency

A BILL

To permit Federal employees to purchase shares of Federal or State-chartered credit unions through voluntary payroll allotment.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 *That section 25 of the Federal Credit Union Act (12 U.S.C.*
4 *1770) is amended (1) by inserting "(a)" immediately*
5 *after "SEC. 25" and (2) by adding at the end thereof the*
6 *following new subsection:*

7 "(b) Any Federal employee who is a member of any
8 credit union that has a common bond consisting of Federal
9 employees and members of their families shall have the
10 right to have payment on shares in the credit union made

1 by allotment from his salary in such amount and at such
2 times as the employee may from time to time request in
3 writing. The credit union shall reimburse the U.S. Gov-
4 ernment for the reasonable cost of making such allotment."

5 The Comptroller General of the United States shall issue
6 regulations to implement this authority.

7 "In this subsection, 'Federal employee' means any per-
8 son employed by any department, agency, independent estab-
9 lishment, board, office, commission, or other establishment
10 in the executive, legislative, or judicial branch of the Gov-
11 ernment, any wholly owned or controlled Government
12 corporation, and the municipal government of the District
13 of Columbia."

U.S. CIVIL SERVICE COMMISSION,
Washington, D.C., July 11, 1967.

Hon. JOHN J. SPARKMAN,
Chairman, Committee on Banking and Currency,
U.S. Senate,
Washington, D.C.

DEAR MR. CHAIRMAN: Reference is made to S. 1084, a bill "To permit Federal employees to purchase shares of Federal- or State-chartered credit unions through voluntary payroll allotment." The Commission has not been requested to report on this bill. However, because of the Commission's interest in the matters covered by the bill it believes that its views might be useful to you in your further consideration of the proposal.

S. 1084 would give any Federal employee who is a member of any credit union that has a common bond consisting of Federal employees and members of their families the right to have payment on shares in the credit union made by allotment from his salary in such amount and at such times as the employee may from time to time request in writing.

Sections 5525-27 of title 5, United States Code, authorize an agency head, subject to regulations issued by the President, to permit employees to make allotments and assignments of amounts out of their pay for such purpose as the agency head considers appropriate. The President's authority to issue regulations was delegated to the Civil Service Commission by Executive Order 10982. Under the Commission's regulations, allotments have been permitted for State income taxes, charitable contributions, and union dues. At the discretion of the head of the agency, an employee serving abroad or away from his post of duty may make allotments for other purposes, including savings. Since the Commission has the authority to provide by regulation for payroll deductions for the purchase of credit union shares, it appears that the proposed legislation is unnecessary.

When 5 U.S.C. 5525 was enacted (section 5 of Public Law 87-304, approved September 26, 1961), it was intended that all allotments and assignments pay would be authorized and coordinated under its provisions and it replaced a number of separate legislative authorities. S. 1084 would again provide a separate authority for an allotment and would place regulatory authority over the

allotment in the Comptroller General rather than the President. The Commission considers this approach to be undesirable.

Under 5 U.S.C. 5525 the granting of allotments is in general at the discretion of the head of the agency. Under S. 1084, however, the President, the Comptroller General, and the head of the agency would have no authority not to permit payroll allotments by Federal employees for the purpose of purchasing credit union shares. This lack of discretion to agency heads in the administration of allotments is in the Commission's opinion undesirable.

On a number of occasions, the Commission has reviewed the need for authority to make allotments for the purchase of credit union shares. In 1964, the Credit Union National Association requested the Commission to amend its regulations to permit allotments by Federal employees to purchase shares in Federal credit unions. An interagency committee was established to study the proposal. After carefully considering the views of the committee as well as those of its own staff, the Commission advised the Association that "the Commissioners reviewed the purposes for which allotments by employees in the United States are now permitted. It was felt that to permit allotments by Federal employees to credit unions would be an undue extension of this authority into areas and for purposes for which no truly valid need exists. The Commission has adopted a conservative approach on the use of this authority and, in the absence of some rather compelling reasons, is unwilling to extend its use." The Commission reaffirmed this position on two occasions in 1966 in connection with proposals to provide for voluntary payroll deductions for purchase of credit union shares.

The Commission recommends against the enactment of S. 1084 because (1) there appears to be no compelling reason for authority for allotments to purchase credit union shares by employees stationed in the United States, (2) legislation is not needed in order to provide such authority, and (3) the way in which the authority would be provided by S. 1084 is otherwise undesirable for the reasons given above.

The Bureau of the Budget advises that from the standpoint of the Administration's program there is no objection to the submission of this report.

By direction of the Commission:

Sincerely yours,

L. J. ANDOLEK,
Acting Chairman.

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, D.C. July 5, 1967.

Hon. JOHN SPARKMAN,
Chairman, Committee on Banking and Currency,
U.S. Senate.

DEAR MR. CHAIRMAN: By letter of May 31, 1967, you requested our comments on S. 1084, 90th Congress, 1st session, entitled: "A BILL To permit Federal employees to purchase shares of Federal- or State-chartered credit unions through voluntary payroll allotment."

A Federal credit union is a cooperative association organized in accordance with the provisions of the Federal Credit Union Act for the purpose of promoting thrift among its members and creating a source of credit for provident or productive purposes. While organized under Federal law and subject to the supervision of the Director of the Bureau of Federal Credit Unions, a Federal credit union is nevertheless in its relation to its members a private and not a governmental organization. The membership of a Federal credit union need not be composed of employees of the Government but may consist of any group having a common bond of occupation, or association, or a group within a well-defined neighborhood, community, or rural district. The fact of Federal employee membership is not deemed sufficient to warrant considering a Federal credit union as a Federal agency or as changing the private nature of the relationship between the organization and its members.

The expansion of the already numerous payroll deductions to include payroll deductions for nongovernmental purposes is a step that should not be taken without careful consideration of the following factors.

The authorization of payroll deductions for the purchase of shares of Federal- or State-chartered credit unions would be providing a Federal service to an employee for an unofficial matter, namely, the deposit of personal savings. In all likelihood, such legislative action would be followed by requests from other groups of savings institutions such as the building and loan association group and the banking community, and from insurance companies, for similar authorization for payroll deductions. Such an expansion would likely encourage additional requests for other nongovernmental and purely personal purposes.

Although S. 1084 provides that the Government shall be reimbursed for the cost of making such payroll deductions, the expansion of payroll deductions and the related increase in the number of recipients of the deductions would unnecessarily add to the administrative complexity of an already complex payroll function in the Federal Government. It could very well be that with the passage of time there would be pressures brought to bear to eliminate the requirement that allottees reimburse the Government for the cost of making the deductions. In such event, the end result would be an increase in the cost as well as the complexity of administering the Government payrolls.

If the bill is to receive favorable consideration, we suggest modification of lines 5 and 6 on page 2, so as not to require implementing regulations to be issued by the Comptroller General. We suggest language similar to subsections (b) and (c) of section 6 of Pub L. 87-304, 75 Stat. 664, concerning the promulgation of regulations. Your attention is also directed to section 5 of that act which provides that "The head of each department is authorized to establish procedures under which each employee of such department is permitted to make allotments and assignments of amounts out of his compensation for such purpose as such department head deems appropriate."

In view of the possible proliferation of requests for authorizations for payroll deductions, we believe that the authorization of payroll deductions for non-governmental purposes is not desirable.

Sincerely yours,

FRANK H. WEITZEL,
Assistant Comptroller General of the United States.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,
May 11, 1967.

Hon. JOHN SPARKMAN,
*Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: This letter is in response to your request of February 28, 1967, for a report on S. 1084, a bill "To permit Federal employees to purchase shares of Federal or State-chartered credit unions through voluntary payroll allotment."

The bill authorizes payroll deductions for the purchase of shares of a credit union, organized under State law or a Federal credit union with a common bond composed of Federal employees and members of their families. The credit union would reimburse the U.S. Government for the reasonable cost of making such allotments. Allotments would be made only upon the basis of a written request by the employee.

This bill is designed to contribute to the basic objectives of the Federal Credit Union Act. It is intended to aid in promoting thrift among the Federal employees who are members of credit unions and in facilitating the accumulation of a fund for making loans to such members for useful purposes at reasonable interest rates. It is thus directed toward helping the members achieve a greater degree of financial stability.

Enactment of this bill is unnecessary. Authority now contained in 5 U.S.C. 5525 authorizes agency heads to permit employees to make allotments out of their pay for appropriate purposes. However, the regulations issued by the Civil Service Commission to implement this provision do not allow deductions from Federal salaries for the purchase of shares of credit unions. The Commission believes that there is no need for an allotment procedure because employees may conduct business with a credit union with relative ease and convenience since credit unions frequently either are in, or are provided with facilities in, the same building in which their members work.

Moreover, we understand that the Treasury Department feels that adequate efforts are being made by the Federal Government to encourage employees to develop the habit of saving a portion of their earnings through the voluntary payroll savings program to purchase Series E savings bonds.

We would therefore recommend that the bill not be enacted.

We are advised by the Bureau of the Budget that there is no objection to the presentation of this report from the standpoint of the Administration's program.

Sincerely,

/S/ WILBUR J. COHEN,
Under Secretary.

90TH CONGRESS
1ST SESSION

S. 1085

IN THE SENATE OF THE UNITED STATES

FEBRUARY 27, 1967

Mr. SPARKMAN (by request) introduced the following bill; which was read twice and referred to the Committee on Banking and Currency

A BILL

To amend the Federal Credit Union Act to modernize the loan, investment, dividend, and reserve provisions; to require the establishment of an education committee; and for other purposes.

- 1 *Be it enacted by the Senate and House of Representa-*
- 2 *tives of the United States of America in Congress assembled,*
- 3 *That subsection (7) of section 8 of the Federal Credit Union*
- 4 *Act (12 U.S.C. 1757) is amended (1) by striking out the*
- 5 *word "or" before the letter "(F)" and by adding at the*
- 6 *end thereof the following:*
- 7 "or (G) in an aggregate amount not exceeding 25 per
- 8 centum of its regular reserve in any one or more incor-
- 9 porated or unincorporated organizations which are con-

2

1 trolled by credit unions or credit union associations and
2 which use funds so invested for purposes of establishing
3 and maintaining the liquidity, solvency and security of
4 credit unions.”;

5 and (2) by striking out the word “and” after the semicolon
6 in subsection (12) and by adding the following:

7 “(13) to purchase from liquidating credit unions
8 notes of any individual members of such liquidating
9 credit unions at such figure as may be established by
10 the board of directors of both the liquidating and the
11 purchasing credit unions;”

12 and (3) by renumbering the present subsection (13) as
13 subsection (14)...

14 SEC. 3. Section 12 of the Federal Credit Union Act (12
15 U.S.C. 1761) is amended (1) by inserting the following
16 new sentence after the first sentence thereof: “In addition,
17 there shall be an education committee consisting of not less
18 than three members, to be appointed by the board.”; and
19 (2) by inserting in the second sentence after the words
20 “supervisory committee” the words “or the education com-
21 mittee”; and (3) by striking from the last sentence the
22 words “either such” and inserting in lieu thereof the word
23 “any”.

24 SEC. 4. Section 15 of the Federal Credit Union Act
25 (12 U.S.C. 1761c) is amended by striking out the words

1 "up to the unsecured limit, or in excess of such limit if
2 such excess is fully secured by unpledged shares".

3 SEC. 5. Section 16 of the Federal Crédit Union Aet
4 (12 U.S.C. 1761d) is amended by inserting "a" imme-
5 diately after the number "16", and by adding at the end
6 thereof the following new section:

7 "16b. EDUCATION COMMITTEE.—The education com-
8 mittee shall meet at least once a month and shall, at least
9 quarterly, make or cause to be made a report on its activities
10 to the board of directors. The committee shall plan and,
11 with the approval of the board, carry out programs to inform
12 members and potential members of the objectives, proce-
13 dures, and serviees of the credit union and to eneourage
14 maximum participation by members in all activities of the
15 credit union."

16 SEC. 6. That section 17 of the Federal Credit Union Act
17 (12 U.S.C. 1762) is amended by striking out the entire
18 section and inserting in lieu thereof the following:

19 "RESERVES.—At the close of each dividend period, 20
20 per centum of the net earnings of such dividend period,
21 before the declaration of any dividends, shall be set aside as
22 a regular reserve against losses on bad loans and such other
23 losses as may be specified in the bylaws in accordance with
24 regulations prescribed under this Act: *Provided, however,*
25 That when the regular reserve thus established shall equal

1 7 per centum of the outstanding loans to members, no further
2 transfer of net earnings to such regular reserve shall be
3 required except that such amounts not in excess of 20
4 per centum of the net earnings as may be needed to main-
5 tain this 7 per centum ratio shall continue to be transferred.
6 All entrance fees and charges shall, after payment of orga-
7 nization expenses, be added to such regular reserve. In
8 addition to such regular reserve special reserves to pro-
9 tect the interest of members shall be established when
10 required (1) by regulation, or (2) in any special case,
11 when found by the Director to be necessary for that purpose."

12 SEC. 7. Section 18 of the Federal Credit Union Act
13 (12 U.S.C. 1763) is amended (1) by striking out the word
14 "or" and inserting a comma in lieu thereof between
15 "Annually" and "semiannually" and by adding the words
16 "or quarterly" after the word "semiannually"; and (2) by
17 striking out the word "five" and inserting in lieu thereof
18 the word "ten".

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,
July 12, 1967.

Hon. JOHN SPARKMAN,
Chairman, Committee on Banking and Currency,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This letter is in response to your request of February 28, 1967, for a report on S. 1085, a bill "To amend the Federal Credit Union Act to modernize the loan, investment, dividend, and reserve provisions; to require the establishment of an education committee; and for other purposes."

The bill would provide for a number of substantive changes in the powers of Federal credit unions.

The first part of section 1 of S. 1085 would amend subsection (7) of section 8 of the Federal Credit Union Act by adding a new subparagraph (G) so that a Federal credit union would have the power to invest its funds "in an aggregate amount not exceeding 25 per centum of its regular reserve in any one or more incorporated or unincorporated organizations which are controlled by credit

unions or credit union associations and which use funds so invested for purpose of establishing and maintaining the liquidity, solvency, and security of credit unions."

The sole criteria for such investments are: (1) that the institutions be "controlled by credit unions or credit union associations" and (2) that the funds invested by Federal credit unions be used "for the purposes of establishing and maintaining the liquidity, solvency, and security of credit unions." Such criteria embrace a substantial number of credit union organizations, including trade associations, stabilization funds, and the like. All of these now enjoy Federal credit union participation, usually through the payment of dues or assessments.

There is no indication concerning the origin of the proposed investment figure of 25 per centum of reserves. It is true that the figure conforms to the provision in subparagraph (C) of subsection (7) of section 8 of the Federal Credit Union Act, which states that a Federal credit union may invest its funds "in accordance with rules and regulations prescribed by the Director, in loans to other credit unions in the total amount not exceeding 25 per centum of its paid-in and unimpaired capital and surplus". But we see no parallel between this authority and that proposed in S. 1085. In the case of subparagraph (C), a Federal credit union's interest is protected by the preferred status it acquires as creditor. The proposal in S. 1085 would make the Federal credit union an investor, subject to the usual risks borne by all investors. Another important consideration is that subparagraph (C) makes the authority subject to rules and regulations to be prescribed by the Director of the Bureau of Federal Credit Unions. The Director is therefore empowered to take whatever steps are necessary to see that the lending authority is carried out by the officials of a credit union with proper regard for the safety of the members' shareholdings. The provision in S. 1085 fails to provide such an important control. Finally, subparagraph (C) deals with a percentage limit based on unimpaired capital and surplus while the investment limit set forth in the proposal is based on a percentage of reserves.

A more appropriate parallel to the proposal in S. 1085 is found in the authority of Federal credit unions to invest up to two percent of their shareholdings for the purpose of establishing and maintaining accounting service centers (45 C.F.R. 301). The regulations which authorize such investments carefully prescribe the kind of institutions in which Federal credit unions may invest. In addition, they require that financial participation by Federal credit unions must be in proportion to the services they receive. The regulations also provide that the Bureau of Federal Credit Unions shall have immediate access to any Federal credit union records maintained by the service centers. In these and other ways the investment of Federal credit unions is clearly circumscribed.

In view of the fact that there appears to be satisfactory participation by Federal credit unions in credit union organizations at the present time, we see no need for the proposal in S. 1085. If the Congress should wish to provide some investment authority in this area, we would suggest that such legislation contain provisions along the lines of those now in force for Federal credit union participation in service centers. The definition of eligible institutions would thereby be tightened, the degree of participation by Federal credit unions would be further defined, and the entire grant of authority would be made subject to rules and regulations to be prescribed by the Director.

The second part of section 1 of S. 1085 would add a new subsection to section 8 of the Federal Credit Union Act to provide Federal credit unions with the power "to purchase from liquidating credit unions notes of any individual members of such liquidating credit unions at such figure as may be established by the board of directors of both the liquidating and the purchasing credit unions." This proposal attempts to deal with the problems faced by many credit unions in liquidation of disposing of their loan portfolios. These problems are usually surmounted by liquidating credit unions without much difficulty since a sound loan portfolio is an attractive investment for credit union stabilization funds, commercial banks, sales finance companies, and other institutions which regularly engage in discounting activities.

The proposal in part two of section 1 fails to come to grips with the more serious problem of what disposition to make of any less sound—hence less marketable—loans. Federal credit union management must first be concerned with the protection of the shareholdings of the members. Consequently, the only loans likely to attract a purchasing Federal credit union are those which are sound, and it is precisely these loans which find a ready market at present. There is, in addition a serious legal question whether a Federal credit union's

management would have the authority to purchase questionable paper even if it were willing to do so.

As indicated in the discussion of the proposal in the first part of section 1, there are in existence credit union organizations designed to aid in the orderly liquidation of credit unions. One of the major advantages of such organizations is that the risk of buying questionable assets is spread among all of the participating credit unions, thereby minimizing the risk of individual institutions. The proposal in part 2 of section 1 would have the effect of concentrating the risk by authorizing individual Federal credit unions to purchase the assets of liquidating credit unions. We believe there is much merit in the utilization of mechanisms which spread the risk among a relatively large number of institutions.

We are sympathetic with the aim of this proposal, but fail to see how it would accomplish its purpose. Accordingly, we recommend against its enactment.

Section 3 of S. 1085 (we find section 2 is omitted) would amend section 12 of the Federal Credit Union Act to provide specific mention of an education committee in the organizational structure of a Federal credit union. We have no objection to this proposal, but we do have reservations about a related amendment discussed below under section 5. We must say in candor, however, that enactment of this amendment would have little tangible value for Federal credit unions.

Section 4 of the bill would amend section 15 of the Act by removing limitations on the authority of loan officers to approve loans only up to the unsecured loan limit (\$750) or in excess of that amount if the excess is fully secured by unpledged shares. The present authority, provided by Congress in 1959, appears to be insufficient to afford credit committee members the relief intended. The workload falling on the committee remains substantial, particularly in view of the fact that credit unions traditionally process a large volume of relatively small loans. Many of these loans, because of their size and type of security, may not be transacted through the loan officer, and consequently must be dealt with solely by the credit committee. The credit committee, under the proposed amendment, would continue to exercise sufficient controls over loan officers to assure equitable treatment of the members and the safe and sound operation of the credit union. We therefore concur in this proposal.

Section 5 of S. 1085 would amend section 16 of the Federal Credit Union Act by providing for a new subsection 16b. This subsection would set forth the standards for the operation of the education committee to be provided under section 3 of the bill. We strongly oppose this proposal because it would require the Bureau of Federal Credit Unions, as supervisor, to impose sanctions for failure to comply with the requirements set forth in the new subsection. Among the requirements are meetings at least once a month, reports to the board of directors at least quarterly, and, with the approval of the board, the implementation of programs "to inform members and potential members of the objectives, procedures, and services of the credit union and to encourage maximum participation by members in all activities of the credit union." We cannot condone any violation of the law, but any sanctions we would impose for violation of these requirements would, in our opinion, be excessive. The arguments in favor of this measure have little weight since Federal credit unions can now establish education committees either by direct action of the board or by incorporation in the bylaws. We feel that the proposed amendment to section 16 is undesirable, and would be troublesome to administer.

Section 6 of S. 1085 would drastically revise section 17 of the Federal Credit Union Act. The proposal would change the basis on which reserves are computed from shares to loans outstanding, and would reduce the percentage of reserves which must be maintained from 10 percent to 7 percent. The present statutory authority provides that 20 percent of net income must be allocated to reserves until the reserves equal 10 percent of shares. After reserves reach 10 percent of shares, Federal credit unions are required to allocate only so much of their net income as is necessary to keep the level of reserves at 10 percent of shares. The net effect of the proposed revision would be to lower from 10 percent of shares to 7 percent of loans the amount of reserves that Federal credit unions would be required to accumulate and maintain.

The proposal in section 6 necessarily has raised the basic question of what constitutes adequate reserves for Federal credit unions. We are not convinced at this time that the proposal in section 6 provides an answer, but on the other hand, it may be true that the present formula needs adjustment. The overriding

concern in any proposal to revise reserve requirements for Federal credit unions must be the safety and solvency of the institutions and the protection of the members' shares.

The Bureau of Federal Credit Unions is undertaking a review of the entire subject of credit union reserves, going beyond the proposal in section 6 of the bill to include other possible reserve allocation formulas. It might be more logical, for example, to require allocations from gross rather than net income, or to provide for a graduated scale in the reserve formula based on the size of the credit union. The analysis being undertaken will utilize information on Federal credit unions which is scheduled to be transferred this summer from punch cards to magnetic tape. Because of this delay, we do not anticipate having any information that may be useful to the committee until some time in the fall. We feel that it would be unfortunate for any action to be taken on the proposal in section 6 without the benefit of a thorough study such as we are planning. We suggest, therefore, that action on this proposal be deferred pending the outcome of the study.

In any event, we object to language in the second sentence of the proposed revision of section 17 of the Act which would provide for the addition of all entrance fees and charges to the regular reserve only after payment of organization expenses. The present language of section 17 makes no mention of payment of organization expenses, which can occur over a period of many months, and requires that entrance fees and charges be paid directly into the reserve. We believe the present language has proven sound and should be retained.

Section 7 of S. 1085 would amend section 18 of the Federal Credit Union Act to provide for the payment of dividends quarterly as well as annually and semi-annually, which is now the case. It would also provide for dividend credit for a month to be accrued on shares which are or become fully paid up during the first ten days of that month, rather than the first five days as is now the case.

Just over 21 percent of Federal credit unions in 1965 declared semiannual dividends, indicating that a substantial majority of Federal credit union officials see no need for declaring dividends other than annually. At the same time, Federal credit unions in some areas may find more frequent declaration of dividends to be a useful action in the face of intensified savings competition.

We have no information on the number of Federal credit unions which employ the five-day dividend credit authority which is now provided in the Act. Where savings competition is intense, the additional five days provided in the proposal in section 7 may prove advantageous.

For these reasons, we have no objection to the enactment of an amendment to the Act along the lines of section 7.

We are advised by the Bureau of the Budget that there is no objection to the presentation of this report from the standpoint of the Administration's program.

Sincerely,

(Signed) WILBUR J. COHEN,
Under Secretary.

Senator SPARKMAN. I may say that Senator Proxmire is chairman of this subcommittee. I had hoped that he would be able to preside, but he is tied up with a last-minute emergency which he must meet and, therefore, I shall pinch-hit for him and start the hearings. Senator Proxmire will be here later.

Our first witness is Mr. Fred Smith, General Counsel of the Department of the Treasury.

Mr. Smith, will you come around, please, sir?

STATEMENT OF FRED SMITH, GENERAL COUNSEL, DEPARTMENT OF THE TREASURY; ACCOMPANIED BY GLENN JOHNSON, NATIONAL DIRECTOR, U.S. SAVINGS BOND DIVISION

Mr. SMITH. Good morning, Mr. Chairman.

Senator SPARKMAN. We are glad to have both of you.

Mr. SMITH. Mr. Chairman, I am proud to have with me Mr. Glenn Johnson, who is the recently appointed National Director of the U.S. Savings Bond Division.

Mr. Chairman, I am pleased to have this opportunity to testify on S. 1084, a bill to permit Federal employees to purchase shares of Federal- or State-chartered credit unions through voluntary payroll allotment.

This bill would give Federal employees the right to make allotments from their salaries for payment on shares in credit unions. It would also require the credit unions to reimburse the Government for the reasonable costs of such allotment, and the bill also provides for the Comptroller General to issue necessary regulations.

The Treasury Department is opposed to this legislation and recommends against its enactment.

We are sympathetic with one of the primary objectives of this bill which is to encourage Federal employees to develop the habit of regularly saving a portion of their earnings. Indeed, the encouragement of habits of thrift has been one of the principal objectives behind the savings bonds program, including the new "freedom share" savings note, for which payroll deductions are presently authorized and encouraged.

We feel, however, that, desirable as this objective may be, enough deductions are already being made from the salaries of Federal employees at the present time. These include deductions for Federal and State income taxes, civil service and social security benefits, life insurance and health insurance, charitable contributions, union dues, and savings bonds and notes, as I have already mentioned.

Each additional deduction adds something to payroll costs and to administrative burdens. While the bill would require the credit unions to reimburse the Government for the reasonable costs of making such allotment, the processing would involve additional workloads, a matter of considerable concern especially at this time when we are making every effort to minimize Federal employment.

I would like to observe to the committee that I have not been able to obtain any satisfactory estimate of the kinds of reimbursable costs which would be involved if this legislation were adopted. The difficulty is that these costs would be different for each payroll installation, depending upon the operations of the particular unit. I can say, however, that the costs and administrative burdens over the entire Federal Establishment would be fairly significant and consequently should be a matter of some real concern.

Our opposition to this legislation does not, of course, imply opposition to credit unions and to their further growth. We feel, however, that the Government is already making significant efforts to encourage the habit of thrift through the voluntary savings program of Series E savings bonds and the new "freedom share."

In addition, credit unions are already the beneficiaries within the Federal Government of rent-free office space and the uncompensated time of Federal personnel. It does not seem to us justifiable to increase the Federal commitment to credit unions beyond the present boundaries.

We can foresee in this regard that enactment of the proposed legislation would lead to demands for similar treatment by banks, savings and loan associations, and other financial institutions. The end result could be the extension of payroll deductions beyond reasonable limits with the Federal Government serving as a banker in all respects for

Federal employees. The fact that the cost would be reimbursed does not seem to us to justify even a beginning on this sort of extension.

The question might be asked as to why the savings bond program should have a special privilege of Federal Government payroll deduction when other forms of savings do not. I think the answer is that the savings bond program is "special" and it is in the national interest that it should have this type of special assistance.

Particularly in these times, it is a way in which Government employees can feel that they are making a contribution toward the efforts of our fighting men in this bitter and frustrating war in Vietnam.

As the costs of Government go up in direct relation to the costs of this war, the Treasury has two ways of financing these costs: through increases in taxes and through public debt financing. And we have to guard against the problem of inflation.

Taxes are, of course, the most noninflationary method of financing the costs of Government. Second to taxes, savings bonds are the most noninflationary way to finance the Government's necessary expenditures.

Certainly, borrowing in this form is the best way for the Government to borrow while still keeping a lid on total public and private spending in the economy. In this sense, savings through the purchase of U.S. savings bonds is even more noninflationary than would be individual savings in other forms for those other types of savings are eventually reflected in additional spending—however worthwhile that added spending may be—while in the case of U.S. savings bonds we can take Government spending as already given and then it is only a question of how best to finance that given amount of spending.

We question whether this legislation would be entirely to the advantage of present members of credit unions in the light of the requirement of reimbursement of reasonable Federal expenses. The effect of this would be simply to place an extra cost on operations of a credit union without, so far as I can see, any compensating benefit in costs saving. The effect would be, I should think, to reduce the return which credit unions could pay on their savings shares and to make their operations somewhat less attractive.

That concludes my statement, Mr. Chairman.

Senator SPARKMAN. Thank you, Mr. Smith. I think it is a very good statement. There are a few things I would like to ask you about.

You say it is impossible to make an estimate as to the cost of doing this job. It seems to me with all the existing deductions that you named, you might have some experience to go by.

Of course, I presume in the case of savings bonds there is nobody to charge for payroll deductions. That is a Government operation?

Mr. SMITH. That is right.

Senator SPARKMAN. But what about the—

Mr. SMITH. Although—and Mr. Johnson can correct me—we get an appropriation for the—

Senator SPARKMAN. For the administration of the program?

Mr. SMITH (continuing). Administrative activities of the Savings Bond Division.

Mr. JOHNSON. That is correct.

Senator SPARKMAN. Could that not be used in some way as a comparison?

Mr. SMITH. Well, I may have misstated myself, sir. I am sure that we could eventually develop cost figures. What I meant to imply is that in the 2 days that I have had to get ready for this hearing we have been unable to come up with any.

I wanted to give you some figures as to what this cost would be, and when I checked with our administrative people I found that because of the different payrolls that were involved and the different costs from agency to agency and department to department it was impossible for me to come up with anything worthwhile for you this morning.

Senator SPARKMAN. About the only point I wanted to make is that certainly you have had that same problem with reference to some of the other activities. How about the Federal and State income taxes? Do you make a charge for those operations?

Mr. SMITH. I do not really know, sir. Could I submit that for the record?

Senator SPARKMAN. How about civil service retirement and social security benefits?

Mr. SMITH. I do not believe that there is any charge made for that.

Senator SPARKMAN. Well, those are similar services. They are for the benefit of the person; are they not?

Mr. SMITH. Yes.

Senator SPARKMAN. And life insurance and health insurance? That is for the benefit of the individual person; is it not?

Mr. SMITH. Yes, sir.

Senator SPARKMAN. Do you make a charge on that?

Mr. SMITH. I do not know what the contracts are. The Government—

Senator SPARKMAN. What?

Mr. SMITH. I say I do not know what the provisions of the contracts are. The Government life insurance is I believe pooled with private insurance companies, and I do not really know the answer to what the contract provides there on that.

Senator SPARKMAN. I am not asking you to give me the figures at this time because I understand you have not had time to get them. But undoubtedly you do have a bookkeeping record of that.

Mr. SMITH. Yes indeed.

Senator SPARKMAN. And charitable contributions? Do you charge for that?

Mr. SMITH. I do not know.

Senator SPARKMAN. And union dues?

Mr. SMITH. I am sorry, sir. I do not know the answer to all of those.

(The committee received the following information from the Treasury Department:)

The Federal Government's payroll deductions fall into two general classes.

1. Those which relate directly to programs which the Government itself administers (for which the recipient of the proceeds of the deductions is not charged for any cost in handling the deductions). Included in the category are deductions for:

- (a) Civil service retirement.
- (b) Life insurance.
- (c) Health insurance.
- (d) Social security taxes.
- (e) Federal income taxes withheld.
- (f) U.S. Savings Bond and Savings Note purchases.
- (g) State income taxes withheld.

The direct recipient for items (a), (b), and (c) is the U.S. Civil Service Commission (Government trust funds). The recipient for item (d) is the Social Security Administration (Government trust funds). The recipient for items (e) and (f) is manifestly the Federal Government itself (via the Internal Revenue Service and Bureau of the Public Debt, respectively).

The recipient for item (g) is the particular State. It is the policy to not charge States for this service just as State agencies or any other employers may not charge the Federal Government for their services in deducting Federal income or social security taxes from their payrolls. In fact, a provision precluding acceptance of reimbursements from States is included in the legislation authorizing Federal agencies to withhold State income taxes (5 USC 84(c)).

2. Those for which an organization outside the Government is the recipient, for which the Government's service costs are charged to the recipient. Included in this category are deductions for:

(a) Union dues.

(b) Charitable contributions (Combined Federal Campaign).

The proceeds of the foregoing deductions are remitted every pay day with a single check to each recipient for the total amount payable for each payroll, supported by a list of the names and amounts for the employees who authorized the deductions. The amount of the check is equal to the aggregate of the applicable deductions for the payroll less a service charge of 2 cents per individual deduction, which is a standard Government-wide fee established by the Civil Service Commission. The service fee deduction is credited to a miscellaneous receipt account in the Treasury.

Senator SPARKMAN. Is there not a pretty close relationship between union dues and credit union dues? Do you think one should be allowed and the other not?

Mr. SMITH. Well, sir, let me say two things.

No. 1, we could certainly get the figures on the cost of this, or an estimate, and give it to you.

Senator SPARKMAN. Now, I am not asking you for figures.

Mr. SMITH. Yes.

Senator SPARKMAN. I want to say how it appears to me. You are doing these other things for the benefit of certain individuals?

Mr. SMITH. Yes.

Senator SPARKMAN. Now, when the credit unions come along—and certainly you pay tribute to the work of the credit unions in the statement, and rightfully so.

Mr. SMITH. That is right.

Senator SPARKMAN. When they come along, you say it ought not to be done.

Now, I realize there is such a thing as expanding this thing until it becomes overburdensome. But I wonder if that was thought of when these others were added.

Mr. SMITH. Well, I certainly would not try to claim that credit unions and allotments for credit unions are less desirable or argue that they are less desirable than some of the other things that already deductions are being made for.

I would say this: That when you get into the savings area you have a whole range of institutions where persons can make savings. And I do feel that banks, savings and loans, possibly insurance companies would have an equally good claim for the allotment.

Senator SPARKMAN. Yes, I recognize the force of that argument as you said.

Mr. SMITH. Right.

Senator SPARKMAN. And also I recognize the force of the argument about nonproliferation.

Mr. SMITH. Yes.

Senator SPARKMAN. But it seems hard to draw the line on credit unions when you have allowed all of these others to come in.

Mr. SMITH. I am certainly not going to try to downgrade credit unions.

Senator SPARKMAN. Now, there is one other point I want to ask you about, and that is your treatment of savings bonds. I think that is a wonderful program. I think it has done a tremendous job over the years.

I used to be one of those who got a bond every month and had it deducted by my bank. I thought it was a fine plan. I did that until things got tighter and I had to drop the plan, as I suppose lots of other people have had to do. But others have increased their deductions.

I notice your argument about the necessity of it with reference to the Vietnam war. Now, I realize we have got to pay for the Vietnam war. But we are not going to drop this program when the Vietnam war is over, are we?

Mr. SMITH. No, sir.

Senator SPARKMAN. And has there been an appreciable stepping up of the purchase of savings bonds during the time we have been in the Vietnam war?

Mr. SMITH. Could I ask Mr. Johnson to speak to that?

Senator SPARKMAN. Is this not pretty much a normal program that remains fairly much at the same level all the time, whether we have a war in Vietnam or not?

Mr. JOHNSON. Well, there has been more emphasis on the program since Vietnam from the President on down to get the American people to back our fighting men over there and to help pay the bills at a time when—

Senator SPARKMAN. Has it shown in the figures that you have?

Mr. JOHNSON. Yes, it has. Our sales this year are higher and a good part of our advertising program is geared to "Back your fighting men." Our sales will increase about a half a billion dollars this year.

Senator SPARKMAN. Half a billion?

Mr. JOHNSON. Yes.

Senator SPARKMAN. By the way, take the banks that make deductions for the purchase of savings bonds. Do you pay anything for that service, or is that a gratuitous service?

Mr. JOHNSON. No, we do not. The banks do this as a public service. And industry does the same thing.

Senator SPARKMAN. Senator Brooke.

Senator BROOKE. Mr. Smith, in a letter dated June 9, 1966, to the House Banking Committee, you stated that:

Generally speaking, we have found that payroll savings participation is lower in private companies which also permit credit union deductions than in those companies which allow deductions only for savings bonds.

Could you supply the committee with the data which led you to this conclusion?

Mr. SMITH. I would be happy to submit data for the record. I think our current survey indicates that we cannot prove anything on percent of participation where they do or do not have allotment also for credit unions, but the dollar amounts for savings bonds seem to run less when there are also allotments for credit unions or other forms of savings.

Am I right on that, Mr. Johnson?

Mr. JOHNSON. That is correct. And the only parallel we are drawing there—we have done some research in some of the private companies and find that the monthly deduction is lower.

The monthly deduction for Federal employees is an average of \$35 a month, while for the private sector in industry it is \$26 a month.

And at the same time the participation in the savings bond program in the Federal Government is 78 percent of the civilian employees, and in private enterprise it is 27 percent.

Mr. SMITH. We will be happy to submit additional information.

Senator BROOKE. You will submit it?

Mr. SMITH. Yes.

(The information referred to follows:)

EFFECT OF CREDIT UNIONS ON SAVINGS BONDS DEDUCTIONS

Of the companies surveyed two years after installation of credit unions, the average decrease in monthly per capita E Bond savings was 22 percent. This is in contrast to the preliminary findings of the survey for the other companies involved, in which average monthly deductions for E Bond purchases rose by 26 percent.

Senator BROOKE. Mr. Smith, the credit unions have pointed out that (1) many of the savings bond honor roll private companies also permit credit union deductions, and (2) military personnel, who can have credit union allotments, show 83.6 percent participation rate for bonds, whereas civilian Federal personnel who cannot have credit union payroll deductions show only 74.9 percent participation.

How do you reconcile these facts to your argument that credit union payroll deductions might retard bond sales?

(At this point, Senator McIntyre assumed the chair.)

Mr. SMITH. Do you want to answer that, Mr. Johnson?

Mr. JOHNSON. Certainly. There are just so many dollars available for savings. And, as I said, we have done somewhat of a survey in private companies. And while big companies have both deductions for credit unions and savings bonds, the dollar amount is considerably lower than in companies that do not have deductions for both.

And as far as the military percentage being higher, certainly there is a patriotic element in buying savings bonds, and I think the servicemen are a little bit closer to that situation and would be more inclined to see the need for actually helping pay for the war effort.

Mr. SMITH. I just would like to emphasize that. I wish the American public at large did as well as the servicemen in this respect.

Senator BROOKE. Now, Mr. Smith, in your statement you see very little benefit if at all to the credit unions by the passage of this legislation I gather.

Mr. SMITH. Yes. This is not a very good indication I guess, but I talked with some of our credit union people and they say—I am just talking about the Treasury Department credit union—that they think we do very well and probably get as much savings in our credit unions or close to it as we would if we had payroll allotments.

And the bill provides they are going to have to pay some at this point unknown amount for administrative expenses if they have payroll allotment, and they are not at all sure that they would be better off.

This is, I grant you, conjecture. Obviously the Credit Union National Association must have some reasons for being for this bill. But—

Senator BROOKE. That is what I was going to ask you.

Mr. SMITH. Yes.

Senator BROOKE. Why do you feel that they are proponents of this bill? A reading of your statement would indicate that there are absolutely no advantages but, in fact, there are disadvantages to the credit unions as far as the passage of this legislation is concerned.

Mr. SMITH. I just question whether they are right in supporting this. A number of the other things that they are in favor of I can see very clearly are to their advantage. But I do have some question in my own mind about that.

Senator BROOKE. I am sorry. I did not hear the last part of the statement.

Mr. SMITH. I said I just have some question in my own mind as to whether they are not misguided in being for this one.

I know that some of the other bills that they have been in favor of which the administration has supported I feel clearly are to their advantage. I am doubtful about this one.

Senator BROOKE. Now, I have been handed a statement which is entitled "Selected Averages and Ratios of U.S. Credit Unions With and Without Payroll Deductions—by States." This is 1965. This is based on credit unions reporting for the 1966 CUNA Yearbook.

Are you familiar with this statement?

Mr. SMITH. No, I am not.

Senator BROOKE. It shows, say, from the States listed of New Mexico, New York, North Carolina, North Dakota, etc.—and there are listed here, say, 15 or 16 States—the total average savings per member with payroll deductions would be \$610.91 as compared with without payroll deductions of \$498.57.

Mr. SMITH. Is this in private industry?

Senator BROOKE. Yes. Now, would this not be some indication of benefit to credit unions?

Mr. SMITH. Well, I suppose it would, but I wonder whether it is comparable to the Government.

To begin with, in industry, generally speaking, there is no charge directly or indirectly that results from that allotment for their own credit unions. And also there may be certain promotional efforts for the credit unions by industry.

I would want to discount that as an indication. On the other hand, I think the situation may not be comparable in the Federal Government.

Senator BROOKE. Of course, there is much more indicated here. Delinquent loans/loans outstanding with payroll deduction, 1.95 percent. Without payroll deduction, 4.24 percent.

And this seems consistent. The number of delinquent loans/borrower with payroll deduction is 3.23 percent. And borrower without payroll deduction is 7.41 percent.

I just wondered if you were familiar with this chart and if you had had an opportunity to examine it and study it and to draw some conclusions as to whether the legislation would, in effect, be profitable and advantageous to the credit union industry.

Mr. SMITH. Well, sir, I would not want to emphasize the point that I made. It is an impression—I made that clear—based on no careful statistical survey. It is just a question in my own mind basically.

Senator BROOKE. Well, have you had an opportunity to discuss this proposed legislation with members of the industry?

Mr. SMITH. I believe we have in the past. Currently I have not. I believe the Treasury has had talks with the industry in the past about it.

Senator BROOKE. Is it the fear of the Treasury Department that the costs, which I understand under this legislation would be borne by the credit unions at the present time—that eventually these reasonable costs would be assumed by the Government, by the Federal Government? Is that a fear?

Mr. SMITH. Well, I would not put it that way. I think that whenever you come to assess reasonable costs there are a lot of indirect costs resulting from additional administrative effort that do add to the Government's bill that you can't logically charge for this service.

But I think it is more—Well, there are really two basic points:

One, where are we going down this road of additional payroll allotments, and where can you draw the line?

Senator BROOKE. You mean banking institutions and others?

Mr. SMITH. Banking institutions and others, plus—

Senator BROOKE. Has there been any indication of that from banking institutions? Has there been any move on their part to be included in Federal payroll deductions?

Mr. SMITH. None that I know of. But we would certainly expect it if the credit unions, which are a competitor for savings, were given this privilege. We would certainly expect it.

Senator BROOKE. You would expect it would follow?

Mr. SMITH. Yes. There is quite a competition for savings these days in a tight money market.

Senator BROOKE. You think this might open up the doors, in other words?

Mr. SMITH. Yes. And I feel it would be very difficult to distinguish between credit unions and other forms of savings.

Senator BROOKE. And that is your primary reason?

Mr. SMITH. Well, our second point is our concern over the effects of this on the savings bond and "freedom share" program.

Senator BROOKE. Well, Senator Sparkman asked you if there had been any sizable increase in savings bonds during the period of the Vietnam war, and I do not recall what your answer was. Did you say there had been?

Mr. JOHNSON. Yes. Our sales this year of savings bonds are going to be roughly half a billion dollars over last year.

Senator BROOKE. Half a million?

Mr. JOHNSON. Half a billion.

Senator BROOKE. Half a billion over?

Mr. JOHNSON. Right.

Senator BROOKE. How does this compare with what happened say in Korea?

Mr. JOHNSON. Our sales did not go up appreciably during the Korean war, due to our poor position in the market.

Senator BROOKE. So during a period of war generally you have a rise, an increase in savings bond sales?

Mr. JOHNSON. There were increases in World War II and during the present situation.

Senator BROOKE. And you fear that if Federal employees were given the opportunity to have payroll deductions for credit union shares there would be a decrease in the sales of savings bonds?

Mr. JOHNSON. Yes. I do not think there is any question about it, because there are just so many dollars for savings. And what would go into the credit unions through the deduction plan, chances are, would come out of the savings bond program.

Mr. SMITH. Or some of it.

Mr. JOHNSON. Part of it, yes.

Senator BROOKE. What percentage of your savings bond sales is made up of Federal payroll deductions?

Mr. JOHNSON. About 20 percent.

Senator BROOKE. And so you—

Senator McINTYRE. Please repeat that answer.

Senator BROOKE. He said 20 percent I think.

Mr. JOHNSON. Correct.

Senator BROOKE. You said 20 percent?

Mr. JOHNSON. Yes.

Senator BROOKE. You feel there would be at least a decrease, if not a sharp decrease, in that percentage if this legislation was passed?

Mr. JOHNSON. Yes, I believe so.

Senator BROOKE. No further questions, Mr. Chairman.

Senator McINTYRE. I would like the record to show that the statistical averages quoted by the Senator from Massachusetts were based on 50 States rather than 16.

Senator BROOKE. Were they? I am sorry. Yes. Forgive me. I should have corrected that. I was only looking at that last page. There were 50 States, Mr. Chairman. Thank you very much.

Senator McINTYRE. And also this table appears in the statement of Mr. Marin of CUNA International.

Tell me, Mr. Smith, how substantial in your opinion is the resentment among Federal employees about the payroll deductions for savings bonds? I receive mail from my constituents now and then—they resent this.

Mr. SMITH. I think it is exaggerated. I think there have been cases which have been publicized, unfortunate cases, where misguided executive branch officers have done some arm twisting for these payroll deductions in order to make a good showing. And these are unfortunate.

The President and the Chairman of the Civil Service Commission and all the responsible officials in the Treasury have made it clear that this is wrong and not proper policy.

But I think on the whole—I know in my own experience I have been in the Government for 24 years and I have been very strongly in favor of the savings bond program. I do have somewhat of an emotional feeling about it, that this is a direct way in which I can support my Government while at the same time doing something very good for myself. And I think that the vast majority of Government employees feel that way.

I think that quite naturally there is resentment when somebody overzealously twists an arm of an employee who does not wish to subscribe. We know very well among other things this could do great damage to the program. We try very hard to guard against it.

Mr. JOHNSON. Might I read a statement in that respect, please?

Postmaster General O'Brien is the head of our savings bond program within the Federal agencies, and at the kickoff of the Federal campaign this year he made a statement which has been reproduced for every department of Government. The statement reads as follows:

Let us recognize that there is a difference between persuasion and coercion and between promotion and pressure. The difference lies in the presence or absence of threats stated or implied. Remember that in the final analysis the choice of whether to buy or not to buy U.S. savings bonds is one that is up to the individual concerned. He or she has a perfect right to refuse to buy or to offer no reason for that refusal.

That was sent out to every director in each Federal agency who was going out to ask people to sign up for savings bonds.

We feel that this has been way overplayed. And we have made some study on that, and we can find little coercion involved in getting people to sign up.

Once in a while somebody is complaining because there is an extensive campaign. But I would say 99½ percent of the Federal employees are happy with the savings bond program.

Senator McINTYRE. Well, your answer indicates that it is pretty much a free choice by the employee.

Mr. JOHNSON. Absolutely.

Senator McINTYRE. If that is so, then why would you fear or worry that the payroll deduction portion of this bill would jeopardize your own ability to sell these bonds? If it is a free choice, why would there be any tendency to depreciate your efforts if they have this payroll deduction?

Mr. SMITH. If I could speak to that, I think part of the exercise of this free choice is the convenience of it as a method of saving. And if there is an alternative, equally convenient method of saving through the allotment process, then I think some of the money that now goes into the savings bond program would go into credit union allotments.

Do you want to add to that?

Mr. JOHNSON. No. That is my feeling too.

Senator McINTYRE. Well, I can certainly understand the laudable objective that you have in these promotion programs to enlist Federal employees in purchasing bonds. But I can well imagine that under the fever of competition, say, between Agriculture and Commerce and the persuasion that you speak of—I can understand the resentment of a Federal employee who is carrying about all the life insurance he can carry, who is probably buying his home and building up an equity in his mortgage payments, with today's standard of living. I can understand that even the normal persuasion that you speak of could be resented.

Senator Brooke, have you anything further?

Senator BROOKE. No, Mr. Chairman. I think I am satisfied.

I just want to be sure that I understand Mr. Smith correctly that, No. 1, he fears that it would open the door to other institutions. There is really nothing to distinguish credit unions in this regard from

other banking institutions. And, No. 2, you have a very real fear that this will cause a decrease in the sales of U.S. savings bonds.

Mr. SMITH. Yes, sir.

I want to add, just to make it abundantly clear, that I am a strong supporter of Federal credit unions. I have been a member of the Treasury Credit Union all my career, and I have money in the Treasury Credit Union. And I think they are a fine thing. I would not want anything I say to be deemed to reflect upon credit unions as such.

Senator BROOKE. Mr. Smith, pursuing what the chairman has asked you, do you have any statistics which would support your fears that there would be a decrease in the U.S. savings bond sales if a Federal employee could voluntarily have payroll deductions for other savings plans?

Mr. SMITH. Well, Mr. Johnson I believe read some summaries of some surveys that he took. I don't know whether we can amplify on that.

Senator BROOKE. But, Mr. Johnson, are you just basing this upon the fact that there are just so many places that the savings dollar can go? But do you not also have to consider that along with the fact that a person would be saving in U.S. savings bonds also for patriotic reasons and the mere fact that he could also buy shares in a credit union would not necessarily mean that he would do so to the exclusion of buying U.S. savings bonds because of the other element of patriotism?

I mean doesn't that follow?

Mr. JOHNSON. Yes.

Senator BROOKE. Then I ask this question: What is wrong if you open up the doors? What would be wrong with allowing Federal employees to save in banking institutions or any other legitimate repository for their savings? Is this necessarily something that we should fear?

It is at least promotes thrift in the country. And if a person would rather voluntarily, as the chairman has pointed out—and it is voluntary—want to put his money in a credit union to save it, or in a savings bank to save it, or to buy U.S. savings bonds, or some other thing, what is wrong with it?

Mr. SMITH. Nothing is wrong with it. Absolutely nothing is wrong with savings. And the Federal Government is certainly strongly in support of employees developing the habit of thrift. And if they don't buy savings bonds—or along with savings bonds—we hope they will save elsewhere.

We have plenty of people in various Government departments who regularly, on payday, take their check down to the credit union and get it cashed and leave a certain amount there on a regular savings plan. I think this is fine and desirable.

It is a question of whether particularly at this time when the Government as you know has financing problems we should take this step which might have some adverse effect on our savings bond program in the amount that we get in the form of savings, the best noninflationary form of savings there is, along with this problem of drawing the line.

But certainly I do not appear to argue against thrift and savings in any way by Government employees.

Senator BROOKE. What about the Federal employee who won't buy any U.S. savings bonds under any sort of sales promotional plan that you have? He might not because of lack of patriotism. He may not just feel that this is the best way to save his money. He may feel he cannot get it as quickly. He does not realize he can get it as quickly. And he feels the credit union is close to him or his bank is close to him.

He might welcome the opportunity to save his money and to be thrifty under these circumstances where we might never convince him of the great benefits of U.S. savings bonds.

Mr. SMITH. That is true.

Senator BROOKE. They may be two different people you are talking about.

Mr. SMITH. That is true, sir.

Senator BROOKE. Well, we could go on, Mr. Chairman, but I merely wanted to—and, Mr. Smith, please understand I am just trying to arrive at what your objections are and how strong they are.

Well, two questions have been raised from Senator Bennett's staff, and for the record I would like to ask them of Mr. Smith.

No. 1, the percentage of bonds that are cashed in as soon as possible. Do you have that information?

Mr. JOHNSON. Yes, we do. We can submit that for the record.

Senator BROOKE. Can you submit that for the record?

Mr. JOHNSON. Right.

(The information referred to follows:)

EARLY CASHING OF SAVINGS BONDS

The attached table gives the latest available data on early redemption of Series E Bonds. It shows that of all Bonds sold in calendar year 1965, 36 percent had been cashed by July 1, 1966, i.e., within a two-month to 18-month period from date of sale, averaging about one year.

On the other hand, the average life of E and H Bonds is about 7½ years for all years of issue, ranging from 8 years, 11 months for 1948 issues to an estimated 6 year, 3 month life for 1965 issues.

Percent of series E savings bonds sold in each year redeemed through each yearly period thereafter

Year of issue	Redeemed by end of—									
	1 year	2 years	3 years	4 years	5 years	6 years	7 years	8 years	9 years	10 years
1956-----	32	43	49	54	57	60	62	64	66	70
1957-----	33	43	49	54	57	60	63	65	67	-----
1958-----	32	43	48	53	56	59	61	64	-----	-----
1959-----	35	44	50	54	57	60	63	-----	-----	-----
1960-----	34	44	49	53	56	59	-----	-----	-----	-----
1961-----	33	42	47	52	55	-----	-----	-----	-----	-----
1962-----	34	43	48	52	-----	-----	-----	-----	-----	-----
1963-----	33	41	46	-----	-----	-----	-----	-----	-----	-----
1964-----	34	43	-----	-----	-----	-----	-----	-----	-----	-----
1965-----	36	-----	-----	-----	-----	-----	-----	-----	-----	-----

Note.—The percentages shown in this table are proportions of the value of the bonds sold in any calendar year which are redeemed before July 1, of the next year, and before July 1 of succeeding calendar year calculated at original maturity value.

Senator BROOKE. No. 2, should not the Treasury compete on the rate with other savings institutions?

First of all, does it?

Mr. SMITH. Well, we are doing pretty well on our new freedom shares, which, incidentally, have as one of their primary purposes to

get some additional savings. If held to maturity, they pay 4.74 percent interest, which is in the ball park as far as return is concerned, particularly when you realize the tax benefits to some people. Namely, you do not have to pay the tax until the savings bond or freedom share is redeemed, whereas on other forms of savings, credit unions or savings and loan, and so on, you have to pay tax on income currently.

So I think it is in the ball park.

The regular savings bond, if held to maturity, produces a return at the rate of, I think it is, 4.15 percent. Is that right?

Mr. JOHNSON. 4.15.

Mr. SMITH. 4.15 percent. But, of course, it is also the safest form of saving that there is.

Senator BROOKE. Would the Treasury support an increase in this $4\frac{1}{4}$ percent?

Mr. SMITH. Sir, I do not think I am qualified to answer that question. This gets into the whole complicated area of our debt financing. I would be glad to try and submit a statement on that for the Department, but I just do not think I ought to try and state a view on that.

Senator BROOKE. I can understand that.

Mr. JOHNSON. On the length of time that bonds are held, the average life of the series E savings bond is seven and a half years.

Senator BROOKE. Seven and a half years?

Mr. JOHNSON. Yes.

Senator BROOKE. No further questions, Mr. Chairman.

Senator MCINTYRE. Senator McGee?

Senator McGEE. I apologize for being late, Mr. Chairman. I was in the Appropriations Committee.

Senator MCINTYRE. We are glad to see you.

Senator McGEE. I have only one question just to reflect my ignorance. It may have been asked. If it has, we will strike it from the record.

But when you referred to the special treatment that the savings bond program is accorded in the Government payroll deduction scheme of things, what is the total of savings bonds thus withheld from Federal payrolls? Do you have a figure on that, or could you supply one for the record?

Mr. JOHNSON. Yes, that question was asked, and the figure is 20 percent.

Senator McGEE. Then strike it from the record, because I was late.

Mr. SMITH. I am not sure that is the question he asked. We gave the figure of 20 percent of all sales of savings bonds from Federal employees.

Senator McGEE. Twenty percent of all savings bonds are withheld from—

Mr. JOHNSON. Are you talking about just Federal employees?

Senator McGEE. Federal employees.

Mr. JOHNSON. Twenty percent.

Senator McGEE. The amount of Federal employee savings bond purchases withheld represents 20 percent of the total savings bond savings?

Mr. SMITH. Right.

Senator McGEE. Out of ignorance, what would that total?

Mr. JOHNSON. \$1 billion.

Senator McGEE. That is all I have, Mr. Chairman.

Senator McINTYRE. Thank you, Mr. Johnson, for your testimony here this morning.

The next witness is Mr. Deane Gannon, Director of the Bureau of Federal Credit Unions.

Mr. Gannon, good morning.

STATEMENT OF J. DEANE GANNON, DIRECTOR, BUREAU OF FEDERAL CREDIT UNIONS, SOCIAL SECURITY ADMINISTRATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Mr. GANNON. Mr. Chairman, I have no statement to make since our Department submitted a report.

Senator McINTYRE. We will make them both part of the record, and we will ask you if it is convenient for you to state the substance of your objections or your approval of this bill. (The reports referred to may be found at pp. 5 and 9.)

Mr. GANNON. The report that was filed by our Department on S. 1084 indicated that the bill would contribute to the basic objectives of the Federal Credit Union Act in promoting thrift among Federal employees who are members of credit unions, and it would facilitate the accumulation of a fund for making loans for the members at reasonable rates of interest.

However, the Department felt that the enactment of this bill was unnecessary because existing authority now permits agency heads to allow employees to make allotments out of their pay for appropriate purposes.

And further it was felt that the position of the Treasury to encourage employees to develop a habit of applying earnings to the savings bond program should be given consideration.

In light of that, the Department recommended against the enactment of this bill.

Senator McINTYRE. Mr. Gannon, do you believe a central banking system analogous to the Federal Reserve System and the Federal Home Loan Bank Board is needed for credit unions?

Mr. GANNON. I believe it might have some advantages for the operation of credit unions, Senator, yes.

Senator McINTYRE. Your remarks have been addressed to S. 1084, and I wondered if you would want to address your remarks to S. 1085.

Mr. GANNON. Yes, I would be glad to, Mr. Chairman. I have a statement that I would like to read to you on S. 1085.

Senator McINTYRE. Mr. Gannon, would you be kind enough to summarize that statement? We will include the whole statement in the record. In order that we can stay within the time limits, you can hit the highlights of the statement any way you want to.

Mr. GANNON. Thank you.

(The prepared statement of Mr. Gannon follows:)

STATEMENT OF J. DEANE GANNON, DIRECTOR, BUREAU OF FEDERAL CREDIT UNIONS, SOCIAL SECURITY ADMINISTRATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Mr. Chairman and members of the subcommittee, I appreciate very much this opportunity to present our views on S. 1085, a bill which would amend the Federal Credit Union Act in several important respects. The scope of the bill is quite

broad, and I believe it might be helpful to discuss it section by section. Briefly, we are in accord with the proposals embodied in section 3, 4, and 7; we do have reservations about the remainder.

SECTION 1

The first proposal in section 1 would permit a Federal credit union to invest its funds in organizations controlled by credit unions and which use such funds for the liquidity, solvency, and security of credit unions. The maximum investment to be permitted would be an amount equivalent to 25 percent of a Federal credit union's reserves.

The language of the proposed amendment obviously is quite broad. It would cover a substantial number of credit union organizations, such as trade associations, stabilization funds, and State-chartered central credit unions, particularly since the words "liquidity, solvency and security" are open to a liberal construction. All of these organizations, it should be noted, now provide for participation by Federal credit unions, either through the payment of dues or through the lending of funds.

In view of the fact that there appears to be adequate opportunity for Federal credit unions to participate in now-existing credit union organizations, we can see no need at present for the enactment of this proposal. It is possible, of course, that the language is intended to encompass a concept which has not yet taken shape in the concrete. Discussion of this prospect would be more appropriate when—or if—further details should become available. In any event, we should like to suggest that if the subcommittee wishes to provide for investment authority in this area, certain safeguards should be included. We believe as a minimum that the definition of eligible institutions should be tightened and that the purpose and nature of the investment should be more specifically defined.

Moving on to the second proposal in section 1, Federal credit unions would be empowered to purchase notes from liquidating credit unions. This proposal attempts to deal with a problem faced by credit unions which enter liquidation: namely, how to dispose of their loan portfolios. This problem is usually resolved without much difficulty since a sound loan portfolio is an attractive investment for credit union stabilization funds, commercial banks, sales finance companies, and other institutions which regularly engage in discounting activities.

Quite clearly, Federal credit unions would not exercise the power contained in this proposal to purchase questionable paper. They would consequently share their interest in purchasing sound notes with the other institutions which regularly engage in discounting. Some benefit might exist for the liquidating credit union if this were the case.

Weighed against this factor, however, is the fact that Federal credit unions are not individually equipped to take on the role of a discount facility. The proposal would permit Federal credit unions located anywhere in the United States to purchase notes from credit unions located anywhere else in the nation. This kind of nation-wide discounting is foreign to Federal credit union experience up to now, and could pose serious operational problems.

At present, it is possible for Federal credit unions to take in members of liquidating credit unions as long as the new members fall within the field of membership of the continuing credit union. This arrangement has proven particularly useful in recent years to accommodate Department of Defense personnel involved in the closing of U.S. installations, although admittedly its application is limited.

As indicated above, one other means of aiding liquidating credit unions is through stabilization funds, which have the advantage of spreading the investment risk among participating credit unions, both State and Federal. These funds, to be sure, vary substantially in their resources and effectiveness. We doubt, however, whether this proposal would materially strengthen their capacity, and there is no precedent by which we may be guided.

In sum, we believe the value to be gained from having Federal credit unions engage in purchasing notes of liquidating credit unions is minimal when weighed against the problems such an activity would create. Consequently, we would object to the enactment of this proposal.

SECTION 3

The next section of the bill, labeled section 3, would amend section 12 of the Federal Credit Union Act to provide for specific mention of an education committee in the organizational structure of a Federal credit union. We do not object to this proposal, but we do have serious reservations about a related

amendment contained in section 5 of the bill, and we will discuss this at the appropriate point.

SECTION 4

Section 4 of the bill would amend section 15 of the Act by removing limitations on the authority of loan officers to approve loans only up to the unsecured loan limit (\$750) or in excess of that amount if the excess is fully secured by unpledged shares. The present authority was provided by Congress in 1959, and was designed to afford members of the credit committees of Federal credit unions some relief from the burdensome work of reviewing loan applications. The committees are required by section 15 to approve all loans made by the credit union, but since 1959 they have been permitted to appoint one or more loan officers. The loan officers, as indicated, are empowered to approve loans up to \$750, or in excess of that figure if the excess is fully secured by unpledged shares. The credit committee receives from the loan officer a record of each loan approved or disapproved, and those disapproved must be acted upon once again by the credit committee. The close supervision of loan officers exercised by the credit committee assures the equitable treatment of both savers and borrowers.

The proposed amendment would permit the credit committee more flexibility by allowing it to delegate loan approval authority to loan officers as it deems appropriate. The result would be that the committee could relieve itself of handling larger but still routine loans which it now must consider and provide it with additional time for reviewing the credit union's overall lending policies in conjunction with the board of directors. Needless to say, this latter function is extremely important for the safe and sound operation of the credit union. We would therefore recommend enactment of this proposal.

SECTION 5

Section 5 of S. 1085 would amend section 16 of the Act by providing for a new subsection 16b. This subsection would set forth the standards for the operation of the education committee to be provided under section 3 of the bill, which I referred to earlier. We strongly oppose section 5 because it would require the Bureau of Federal Credit Unions, as supervisor, to impose sanctions for failure to comply with the requirements set forth in the new subsection. Among the requirements are meetings at least once a month, reports of the board of directors at least quarterly, and, with the approval of the board, the implementation of programs "to inform members and potential members of the objectives, procedures, and services of the credit union and to encourage maximum participation by members in all activities of the credit union." We cannot condone any violation of the law, but at the same time any sanctions we would impose for violation of these requirements would seem to be excessive. The arguments in favor of this measure have little weight since Federal credit unions can now establish education committees by direct action of the board. Consequently, we see no point in enacting legislation in this area.

SECTION 6

Section 6 would change the basis on which reserves are computed from shares to loans outstanding, and would reduce the percentage of reserves which must be maintained from 10 percent to 7 percent. The present statutory authority provides that 20 percent of net income must be allocated to reserves until reserves equal 10 percent of shares. After reserves equal to 10 percent of shares, Federal credit unions are required to allocate only so much of their net income as is necessary to keep the level of reserves at 10 percent of shares.

The proposal of necessity raises the basic question of what constitutes adequate reserves for Federal credit unions. The present statutory language was enacted in 1949, apparently as the result of experience in the States. No information has reached us that would indicate that the present formula provides for excessive reserves or that the allocation of 20 percent of net income required of Federal credit unions imposes an unnecessary hardship. One indication of the present state of affairs is the fact that Federal credit unions generally have been able to keep their dividends competitive with other thrift institutions. We feel very strongly, therefore, that sufficient statistical information should be developed before any decisions are made on the adequacy or inadequacy of the present formula. We would willingly concede that the facts we have at our disposal are by no means comprehensive, and that further analysis with addi-

tional information might indicate a need for revising the reserve formula. Just what kind of revision would be indicated is, in our opinion, open to question at present.

For your information, we have attached to the back of this statement a study we completed last month on some aspects of the reserve question. The introduction of the bill has prompted us to undertake a review of the entire subject of credit union reserves, a study which will go beyond the present proposal in S. 1085 to include other possible revisions. Our analysis will take some time, unfortunately, primarily due to the fact that we wish to utilize information which is now being transferred from punch cards to magnetic tape. As a result, we do not anticipate that the study will be completed until some time in early fall. Although we regret having to suffer this delay, we would be most reluctant to commit ourselves to any position involving a change in the present reserve formula using as a guide only the data which is currently available. We would suggest, therefore, that consideration of section 6 might appropriately be deferred pending completion of the study. In the meantime, we would welcome any comments or suggestions from the subcommittee which might guide us in our project.

Finally, it is relevant to say that in any discussion of reserves the overriding concern of the Bureau must be the safety and solvency of Federal credit unions and the consequent protection of the members' shareholdings. Reserves are the credit unions' first line of defense, even though they may be called upon in a relatively few instances. But it is necessary to stress the importance of adequate reserves for all credit unions in order to insure their availability in the few cases when they are actually needed. Far from being a burden, reserves constitute the foundation on which credit unions function.

SECTION 7

The last section of S. 1085, section 7, would amend section 18 of the Act to provide for the payment of dividends quarterly as well as annually and semi-annually, which is now the case. It would also provide for dividend credit for a month to be accrued on shares which are or become fully paid up during the first ten days of that month, rather than the first five days as is now the case.

Just over 21 percent of Federal credit unions in 1965 declared semi-annual dividends, indicating that a substantial majority of Federal credit union officials see no need for declaring dividends other than annually. At the same time, Federal credit unions in some areas may find more frequent declaration of dividends to be a useful action in the face of intensified savings competition.

We have no information on the number of Federal credit unions which employ the five-day dividend credit authority now provided by the Act. Where savings competition is intense, the additional five days provided in section 7 may prove advantageous.

We are advised by the Bureau of the Budget that there is no objection to the presentation of this statement from the standpoint of the Administration's program.

REGULAR RESERVES OF FEDERAL CREDIT UNIONS

The Federal Credit Union Act requires that Federal credit unions set aside 20 percent of their net earnings in each dividend period in a regular reserve until such reserve is equal to 10 percent of members' shares. As of December 31, 1966, Federal credit unions as a group had about \$312 million in regular reserves, as the accompanying table shows. The ratio of regular reserves to shares was 6.3 percent.

In general, large, typically older, Federal credit unions have higher reserve ratios than small credit unions, as may be seen by lines f and g in the table. Regular reserves as a ratio of members' shares ranged from 3.7 percent for the smallest size class to 6.5 percent for the \$500—\$1,999.9 thousand asset size group.

The present regular reserve is 7.2 percent of outstanding loans, as line f shows. Regular-reserve-to-loan ratios of credit unions in each size group above \$100 thousand equaled or exceeded 7 percent at yearend 1966. Smaller Federal credit unions had regular reserves of less than 7 percent of loans.

The excess or deficiency of the present regular reserve based on three possible regular reserve requirements is shown on lines i, k, and m.

Lines h and i show the difference between the present 10-percent-of-shares goal and the actual dollar amount of regular reserves as of December 31, 1966. The deficiency for all Federal credit unions at that time was about \$182 million.

A computation based on 7 percent of total loans on lines j and k shows that, on this basis, there was an excess of more than \$9 million in regular reserves at Federal credit unions as a group. A rather substantial reserve excess at credit unions with assets of \$500 thousand or more was partly offset by deficiencies at Federal credit unions below the \$500 thousand asset level.

On the basis of a possible requirement of 10 percent of total loans, the deficiency for all Federal credit unions (line m) was slightly more than \$120 million. All size groups showed a regular reserve deficiency using this formula.

The amount of loans delinquent two months or more (line n) totaled about \$133 million at yearend 1966. The ratio of delinquent to outstanding loans was much higher for smaller credit unions than for the large groups (line o).

The amount of delinquent loans at all Federal credit unions was 42.7 percent of total regular reserves. Delinquent loans ranged from more than double the amount of regular reserves at the smallest credit unions to about 30 percent of the regular reserves of Federal credit unions with assets of \$2 million or more.

About one-half of all Federal credit unions that paid a dividend paid 5 percent or more as of yearend 1966, as the bottom line of the table shows. The high rate was more common at large, than at small, Federal credit unions. More than 70 percent of the largest size group paid 5 percent or more, while only about one-fourth of the smallest group paid these relatively high rates.

Reserves and related data for Federal credit unions, by asset size class, Dec. 31, 1966

[Dollar amounts in thousands]

Item	All	Asset size				
		Less than \$25	\$25 to \$99.9	\$100 to \$499.9	\$500 to \$1,999.9	\$2,000 and over
(a) Number of Federal credit unions-----	11,941	2,229	3,097	4,119	1,911	585
(b) Loans outstanding-----	\$4,323,943	\$17,702	\$134,828	\$740,951	\$1,406,057	\$2,024,404
(c) Members' shares-----	4,944,033	21,861	153,135	850,835	1,613,276	2,304,926
(d) Regular reserves-----	312,125	871	7,957	51,550	105,613	146,190
(e) Total reserves-----	338,878	994	8,698	55,223	114,227	159,737
Ratio of:						
(f) Regular reserve to loans-----	7.2	4.6	5.9	7.0	7.5	7.2
(g) Regular reserve to shares-----	6.3	3.7	5.2	6.1	6.5	6.3
Reserve based on:						
(h) 10 percent of shares-----	\$494,403	\$2,186	\$15,313	\$85,084	\$161,328	\$230,493
(i) Excess or deficiency of present regular reserve-----	-182,278	-1,369	-7,356	-33,534	-55,715	-84,303
(j) 7 percent of loans-----	302,676	1,239	9,438	51,867	98,424	141,708
(k) Excess or deficiency of present regular reserve-----	9,449	-422	-1,481	-317	7,189	4,482
(l) 10 percent of loans-----	432,394	1,770	13,483	74,095	140,606	202,440
(m) Excess or deficiency of present regular reserve-----	-120,296	-953	-5,526	-22,545	-34,993	-56,250
Loan delinquency and charge offs:						
(n) Amount delinquent 2 months or more-----	133,267	1,702	8,817	33,379	45,143	44,226
(o) Rate ¹ -----	3.1	9.6	6.5	4.5	3.2	2.2
(p) Delinquent loans as percent of regular reserve-----	42.7	208.3	110.8	64.8	42.7	30.3
(q) Loan charge-off ratio ² -----	.23	.45	.35	.29	.22	.21
Dividend rates (5 percent or more):						
(r) Number paying-----	5,353	290	1,335	2,192	1,122	414
(s) Percent of total in group-----	50.2	24.5	45.6	53.9	58.9	70.8

¹ Loans delinquent 2 months or more as a percentage of loans outstanding.

² Net loans charged off as a percentage of loans made since organization.

Mr. GANNON. Briefly, our position with respect to S. 1085 is that we are in accord with the proposals that are embodied in sections 3, 4, and 7, and we have reservations concerning the remainder of the proposals.

Section 1 in our opinion is in very broad language, and it seems to us that it would cover a substantial number of credit union organi-

zations that credit unions now can substantially do business with, either in a form of the payment of dues or through the lending of funds.

In the light of this opportunity to avail themselves of these services, we can see no need at present for the enactment of this proposal.

We realize that it might be intended that this proposal would encompass a concept which has not yet taken shape in concrete form, in which case we think it would be more appropriate for us to respond when and if further details will become available.

In any event, we think that the subcommittee, if it wishes to provide for investment authority in this case, ought to provide for certain safeguards, and we believe as a minimum there should be a tightening of the definition of eligible institutions, and the purpose and the nature of the investment should be more clearly defined.

The second proposal in section 1 provides authority for Federal credit unions to purchase notes from liquidating credit unions. We realize that this is an attempt to deal with a problem that liquidating credit unions have, of selling their notes.

In our experience this has not been a problem up to this time. Credit unions having sound loan portfolios have offered an attractive investment for credit union stabilization funds, commercial banks, sales finance companies, and other institutions.

Certainly we would presume that the credit unions would not be interested in the power to purchase questionable paper. Therefore, in our opinion this proposal would actually provide no additional advantages for either the liquidating credit union or the purchasing credit union.

We do not feel that the individual credit union is prepared to take on the aspects of a discounting facility.

With respect to section 3, as I stated, we would have no objection to this proposal of providing for an educational committee. We do have some reservations about the duties and functions of the committee which are outlined in section 5.

Section 4 would amend section 15 of the act by removing restrictions on the authority of loan officers who are now restricted in approving loans up to the unsecured loan limit, which is \$750, or loans which are fully secured by shares. This amendment in 1959 did give some relief, but we still find that the credit committees are called upon to process an enormous number of loan applications which could be handled by a loan officer if this authority was delegated to him.

In our opinion, therefore, we would think that this would be a worthy amendment, and we would recommend enactment of this section.

Section 5, as I indicated, outlines the duties and functions of the educational committee, which are quite nebulous in our opinion. We feel we would have many violations of this section of the act and that we would be called upon then to impose sanctions and that any sanction that we would impose certainly would be excessive in the light of the activities proposed.

So we are of the opinion that this provision serves no purpose and should not be included in the legislation.

Section 6 is a substantial change in the basic concept of reserves and the way reserves shall be computed. It transfers the computation

as a percentage of total shares outstanding to the percentage of total loans outstanding, and it reduces the maximum reserve from 10 to 7 percent.

The proposal of necessity raises the basic question of what constitutes adequate reserves for Federal credit unions. The present language has been in effect since 1949, when the 10 percent limit was added. It was apparently added as a result of experience in the various States.

No information has reached us that would indicate that the present formula provides for excessive reserves or that the allocation of 20 percent of net income required of Federal credit unions imposes any undue hardship on our Federal credit unions.

One indication of the present state of affairs is the fact that Federal credit unions generally have been able to keep their dividends competitive with other thrift institutions.

We feel very strongly, therefore, that sufficient statistical information should be developed before any decisions are made regarding the adequacy or inadequacy of our present formula.

We willingly concede that the facts that we have at our disposal are by no means comprehensive, and we ask that we have the opportunity of completing a study which we hope to do by late fall. The delay is occasioned by the fact that we have to transfer the information from punch cards to magnetic tape.

Though we regret having to suffer this delay, we would be most reluctant to commit ourselves to any position involving a change in the present reserve formula using as a guide only the data which is now available.

We would, therefore, suggest that consideration of section 6 might appropriately be deferred pending completion of that study, and in the meantime we would welcome any comments or suggestions from the subcommittee that you might feel would guide us in that project.

Finally, as I said, it is our overriding concern that there be safety and solvency in the Federal credit unions and consequently protection of the members' shareholdings.

Reserves are the credit union's first line of defense, even though they are called on in relatively few instances. Far from being a burden, reserves constitute a foundation on which our Federal credit unions really function.

With respect to section 7, we are agreeable to the two changes which are proposed; namely, to permit dividends to be paid quarterly and to provide for a 10-day grace period in the computation of the dividend.

This concludes my statement, Mr. Chairman.

SENATOR MCINTYRE. Mr. Gannon, do you believe one of the functions of a central credit union bank might be to transfer funds from capital rich credit unions to capital poor credit unions such as those being organized in conjunction with the poverty program?

MR. GANNON. Well, I think that the poverty program is something separate and distinct, Mr. Chairman. I think the problem, as is indicated in the statement here, of the credit unions going into liquidation and having an opportunity of selling their loans is one concept of a discount facility. The other is to permit credit unions having a need for funds to be able to borrow funds. The poverty program I do not

regard as being one that should be financed except through the credit unions themselves, although they, of course, being credit unions, would be subject to the same rights and privileges as other credit unions.

Senator McINTYRE. I understand there is about a billion dollar surplus right now in credit unions, and would it not be a good idea if these funds could be transferred into areas where they would be more helpful and serve a real need?

Mr. GANNON. Well, that is true, Mr. Chairman. I do not have the figures handy, but the Federal credit unions have quite a substantial investment in U.S. Government securities and shares of savings and loan institutions. This money is at this time surplus money not needed for carrying on the loan functions of the particular credit unions. And there would be some advantage, of course, in having this in a central facility where it would become available for those having need for funds to apply for loans.

Senator McINTYRE. I have here some credit union statistics indicating that savings total \$10.3 billion and loans \$9.2 billion, leaving a differential there of about a little over a billion dollars.

Mr. GANNON. Those statistics apparently are for both State and Federal credit unions. At the present time, Federal credit unions have shares outstanding of \$4.9 billion and loans outstanding of \$4.3 billion, so there is about a \$600 million difference there.

Senator McINTYRE. I understand that is correct.

Moving on here, why do you feel that the provision permitting the purchase of the notes of the liquidating credit unions would pose a danger? Could not adequate procedures be developed to guard against this possibility?

Mr. GANNON. I think basically, Mr. Chairman, our concern is that the individual credit union is not prepared to take on all of the work that goes with purchasing paper from another credit union.

Under our present arrangements, so long as the members enjoy a common bond under our Federal Credit Union Act, they can transfer from one credit union to another. This has happened in the case of the closing of Defense installations throughout the country. These credit union members have been able to join another credit union because it is an Air Force credit union or an Army credit union or a Navy credit union, and, therefore, it has had the same effect.

On the other hand, there is quite a distinction between a credit union serving the Senate employees purchasing notes of the Hot Shoppes Employees Credit Union. These matters I think bring a different context to the operation.

We feel that an individual credit union could not successfully function as a discount facility. This should be more properly done in the stabilization funds of the leagues or in a central discount facility.

Senator McINTYRE. Well, as a safeguard on this purchase of paper, could we not establish a limit that would keep under control the amount of workload that might be taken on by any particular credit union?

Mr. GANNON. Basic to the problem, Mr. Chairman, is the collection of these loans. If a credit union goes into liquidation, it may be because an industrial plant is closed or there has been a substantial reduction in force, and these people then scatter to the four winds. And the credit union in Washington, D.C. would be dealing with people at all points

of the compass in trying to collect these loans, and it just does not have the facilities to engage in this activity.

Senator McINTYRE. From your point of view, it seems to be impractical from many areas?

Mr. GANNON. That is our view, Mr. Chairman.

Senator McINTYRE. With respect to reserve requirements, your figures show that on the average credit unions are substantially below the required 10 percent despite many years of building up reserves. Does this not by itself indicate the reserve requirement is too high?

Mr. GANNON. It may, Mr. Chairman. We have a study which indicates that 50 percent of our Federal credit unions now have reserves of less than 5 percent of their total shares. Thirty-nine percent of them have reserves between 5 percent and 9.9 percent. And 11 percent roughly have reserves in excess of 10 percent or more of shares.

Our report also indicates, of course, that on the average credit unions now—Federal credit unions—have reserves equal to 7.2 percent of the loans which is slightly in excess of the amount proposed in this bill.

Now, this is on the average, and, of course, the matter of reserves is somewhat akin to having adequate fire insurance on your home. If you have no fire, a small amount of insurance is adequate. But if you have a fire you need to have full coverage.

And so these averages are somewhat deceptive.

It would be our thinking, Mr. Chairman—and we are not holding any brief necessarily for the present provisions of the Federal Credit Union Act. We are not saying that this is the answer. But we would like to have the opportunity of making a more elaborate study and then of being able to furnish information which we think might result in a better formula than that proposed by this bill.

Senator McINTYRE. Does your answer indicate that only about 11 percent of the credit unions have made this 10-percent reserve figure?

Mr. GANNON. That is right.

Senator McINTYRE. Could you give me an estimate of about how long it takes a credit union on the average to build up to that 10 percent?

Mr. GANNON. I am sorry I do not have that information. We will try to give it to you, Mr. Chairman. I am not sure until we get into this reserve study that we will have these facts.

Senator McINTYRE. I want to thank you very much, Mr. Gannon, for coming this morning and giving us this testimony.

(The following table was received for the record :)

Loans outstanding, loans delinquent, loans charged off and reserve ratios in operating Federal credit unions. From date of organization through Dec. 31, 1965

[Federal table of the month]

	Total loans outstanding	Total delinquent loans	Total loans charged off since organization	Reserves	Reserves/loans outstanding (percent)	Reserves/delinquent loans (percent)	Reserves/loans charged off (percent)
Associational groups—total.....	\$275,245	\$18,797	\$7,789	\$19,906	7.23	105.90	255.57
Cooperatives.....	66,558	3,050	1,566	3,853	5.79	126.33	246.04
Fraternal and professional.....	62,775	4,763	1,575	5,822	9.27	122.23	369.65
Religious.....	72,711	6,067	2,272	5,814	8.00	95.83	255.90
Labor unions.....	57,420	4,058	1,918	3,460	6.03	85.26	180.40
Other associational groups.....	15,782	859	459	956	6.06	111.29	208.27

CREDIT UNION BILLS

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Loans outstanding, loans delinquent, loans charged off and reserve ratios in operating Federal credit unions. From date of organization through Dec. 31, 1965—Continued

	Total loans outstanding	Total delinquent loans	Total loans charged off since organization	Reserves	Reserves/loans outstanding (percent)	Reserves/delinquent loans (percent)	Reserves/loans charged off (percent)
Occupational groups—total	\$3,543,400	\$92,215	\$77,727	\$267,268	7.54	289.83	343.85
Agriculture	13,873	257	128	2,056	14.82	800.00	1,606.25
Mining	11,590	493	338	934	8.06	189.45	276.33
Contract construction	7,176	77	95	511	7.12	663.64	537.89
Manufacturing	1,511,906	38,619	35,245	125,554	8.30	325.11	356.23
Food and kindred products	88,730	2,915	2,614	7,561	8.52	259.38	289.25
Textile mill products and apparel	28,217	693	850	2,313	8.20	333.77	272.12
Lumber and wood products	27,260	958	1,067	1,807	6.63	188.62	169.35
Paper and allied products	96,236	2,185	1,473	8,391	8.72	334.03	569.65
Printing and publishing	43,281	1,377	969	3,707	8.56	269.21	382.56
Chemicals and allied products	121,999	2,277	1,807	11,328	9.29	437.50	626.90
Petroleum refining	108,911	2,897	2,395	11,877	10.91	409.98	495.91
Rubber and plastics products	40,002	1,025	1,380	3,263	8.16	318.34	236.45
Leather and leather products	3,822	169	103	260	6.80	153.85	252.43
Stone, clay and glass products	57,159	1,856	1,519	5,078	8.88	273.60	334.30
Primary metal industries	159,328	5,249	3,040	14,667	9.21	279.42	432.47
Fabricated metal products	53,996	1,805	2,004	5,024	9.30	273.34	250.70
Machinery, including electrical	243,472	6,502	6,176	19,511	8.01	300.03	315.92
Transportation equipment	383,664	6,792	8,298	25,864	6.74	380.80	311.69
Motor vehicles and equipment	191,573	4,645	4,343	11,621	6.07	250.18	267.58
Aircraft and parts	177,774	1,819	3,682	13,342	7.51	733.48	362.36
Instruments ¹	35,434	1,243	852	3,065	8.65	245.59	359.74
Other manufacturing	20,395	672	698	1,836	9.00	273.21	263.04
Transportation, communication and utilities	434,204	11,458	10,023	36,066	8.31	314.76	359.83
Railroad transportation	99,732	4,699	3,294	9,180	9.20	195.36	272.69
Bus transportation	45,277	1,633	1,444	4,303	9.50	262.70	297.59
Motor freight transportation ²	35,480	1,219	868	2,206	6.22	180.97	254.15
Air transportation	33,421	405	646	2,352	7.04	530.74	364.09
Other transportation	4,621	160	135	470	10.17	293.75	343.15
Communications	144,436	1,693	2,479	11,031	7.64	651.57	444.98
Telephone	140,977	1,562	2,399	10,810	7.67	692.06	450.60
Utilities	71,237	1,645	1,157	6,523	9.16	336.54	563.79
Wholesale and retail trade	129,572	3,751	5,170	9,529	7.35	254.04	134.31
Finance, insurance, real estate	25,370	448	513	1,953	7.70	435.94	380.70
Services	328,237	10,060	5,012	21,059	6.42	209.33	420.17
Hotels and other lodging places	2,840	116	208	187	6.58	161.21	89.90
Personal services	1,266	71	78	99	7.82	139.44	126.92
Miscellaneous business services	27,602	706	621	1,640	5.94	232.30	264.09
Medical, other health services	18,822	632	521	768	4.68	121.52	147.41
Hospitals	17,928	614	503	729	4.07	118.73	144.93
Educational services	262,169	8,121	3,144	17,210	6.56	211.92	547.39
Elementary and secondary schools	219,608	7,140	2,511	14,987	6.82	209.90	596.85
Colleges and universities	41,761	960	602	2,189	5.24	228.02	363.62
Other services	15,539	414	433	1,155	7.43	278.99	263.10
Government	1,081,376	27,043	21,201	69,601	6.44	257.37	328.29
Federal Government	770,404	19,566	16,667	45,481	5.90	232.45	272.88
Civilian	269,641	10,326	6,187	18,932	7.02	183.34	306.00
Military	500,763	9,239	10,481	26,550	5.30	287.37	253.32
State and other government	310,972	7,477	4,534	24,120	7.76	322.59	531.98
Other occupational groups	97	9	2	3	3.09	33.33	150.00
Residential groups—Total	46,163	2,690	1,240	3,315	7.18	123.23	267.34
Urban community	12,469	723	330	901	7.23	124.62	273.03
Rural community	33,694	1,967	910	2,415	7.17	122.78	265.38
Total	3,864,809	113,701	86,757	290,489	7.52	255.49	334.83

¹ Professional, scientific, controlling instruments; photographic and optical goods; watches and clocks.² Including warehousing.

SENATOR MCINTYRE. We will move on to our next witness, Dr. Kenneth J. Marin, representing CUNA.

STATEMENT OF KENNETH J. MARIN, EXECUTIVE COMMITTEE MEMBER, CUNA INTERNATIONAL, INC.

MR. MARIN. In the interests of academic honesty, let me deny the "doctor," first of all.

Gentlemen, in order to save some time, if I may I will just sort of summarize the two statements you have been supplied, one on S. 1084.

We would take some exception to some of the prior testimony, particularly that of Mr. Smith of the Treasury Department, and I think that the position is reasonably well made in the longer statement which I will not read.

But let me just say briefly that we feel strongly that there is a real service to be paid to Federal employees by permitting payroll deductions. We emphasize "permitting." There is no coercion. There is coercion now—we feel that there would be a substantial advantage to Federal employees by permitting payroll deductions through their credit union membership. We do not feel, of course, that this would be at all coercive.

We feel that the present arrangement where the only type of savings deductions allowed is the bond program is indeed coercive. And I think that this point was made by a number of the members of this committee in the questioning of Mr. Smith after his testimony.

But it seems to me to the extent that we allow payroll deductions for bonds and do not allow payroll deductions for credit unions, this tends to be a coercive shift toward bonds.

Now, again, just as Mr. Smith, of course, had strong words, kind words for credit unions, I would do the same for the bond program. But it seems to me that the Federal employee, if he wants bonds, should buy the bonds. And if he wants credit union shares, he should buy the credit union shares. And I am reasonably sure that is what he is going to do.

But at the present time we make it much easier for him to buy bonds. And the mere fact that the Treasury apparently fears that if given a free choice the free choice would be exercised in favor of the credit union seems to me to be a rather negative approach toward the welfare of the employee.

And that would be the basis of our position really in respect to the advocacy of payroll deductions under S. 1084.

We would further comment briefly on Deane Gannon's excellent testimony in which he indicated that a provision now exists whereby this may be granted by individual action in specific cases. As a matter of fact, however, it is not being granted, and that is the reason we seek legislation which, to remind you, in S. 1084 would specify on line 10 that the employee "shall have the right." It no longer becomes discretionary as to whether he will be denied the right or given the right.

As it is now (in the bill), he can have the right to payroll deduction if he wishes.

We will again emphasize it will be at absolutely no cost to the Government.

Mr. Smith commented that he felt there would be some problems in determining what the costs are. The Treasury in prior testimony on another bill has indicated that the computation of mailing a Treasury check to a banking organization and the ultimate cancellation of that by the Treasury in some five steps, which even include cost of the window envelope and the postage at 5 cents and so on, comes to something like 7½ cents—.07280.

Whatever it costs, the important point is the legislation requires the credit union to reimburse the full cost. So the cost is a specious argument.

The assumption by Mr. Smith and Treasury that it would be to the disadvantage of the credit union is simply not borne out by a great deal of study on our part. We are well aware of the fact that those credit unions with payroll deduction operate more efficiently and at less cost. He indicated that in the case of private industry credit unions perhaps there is not a corollary because in this instance the credit union does not reimburse the corporation. It frequently does. Again this depends obviously upon the attitude of the corporate staff toward their credit union, whether they want to assume a cost of perhaps 7 cents a transaction on behalf of their employee or whether they want the credit union to assume it.

But, in any case, frequently the credit union does assume the cost. It is to the advantage of the credit union to assume the cost, because essentially it is a highly efficient, automated cost which would otherwise be replaced by an over-the-counter transaction that is much more costly on an individual basis rather than the bookkeeper sitting down with a long IBM run, or magnetic tape, or card pack, or something like this.

Payroll deduction is undoubtedly vastly more efficient and less costly and to the advantage of the credit union.

I would submit this is really a specious argument. I do not want to take too much time with it.

S. 1084 generally I think has a great deal going for it, and it seems to me as I listened this morning the arguments submitted against it are essentially special interest arguments.

Now, you could argue I suppose that my arguments are special interest arguments for it. If so, I would ask that the weight of the arguments be put side by side and come to your own decision.

I would like to speak now on S. 1085, unless you prefer to ask some questions right now on S. 1084 perhaps.

Senator MCINTYRE. Why do you not go right ahead.

Mr. MARIN. I will go right ahead with S. 1085.

This is, of course, a bill in which we find the Federal Bureau in substantial agreement with us on a number of positions and I think in minor disagreement on one or two others.

(At this point, Senator Proxmire, chairman of the subcommittee, assumed the chair.)

We would first of all point out in the prepared testimony that has been submitted at the bottom of the very first page, as to corrections, there is a technical error in the bill in section 2 that is inadvertently labeled section 3, and everything is out of line from there on.

Let's refer to the original labeling in the—

Senator PROXMTIRE. Are you referring to your statement?

Mr. MARIN. No. On the first page of my statement, Senator Proxmire, at the bottom, there is a section "Corrections," and it points out first of all there is a technical error in the printing of the bill, that section 2 does not exist in the bill. What is labeled section 3 should be section 2, and so on.

But in all prior references and I would suggest in my continued references I will number them as they appear in the actual text of the bill.

Section 3 is the one which in the bill discusses the education committee.

We would at this point be willing and in fact desirous of omitting section 3 and section 5 from the act as we would propose it to be passed. This is in line with action taken by the board of the CUNA International at its May meetings in Dallas, Tex., when in some further discussion of the education committee they in effect now agree with the Federal Bureau's essential position that it is not desirable and not necessary.

We would be quite happy to omit sections 3 and 5 from our proposal as well.

So we are in agreement essentially I think with the Federal Bureau on this.

The Federal Bureau has some exceptions to section 1, and I would just comment briefly on that.

I think one of the exceptions that they take is that it perhaps weakens the concept of the common bond to allow credit unions for purposes of liquidity, solvency, to purchase notes of liquidating credit unions.

Note specifically, gentlemen, however, that the act as it is now offered does this within the investment authority of the credit union. It does not take these people into membership of the credit union, and it does not violate the common bond.

In other words, a credit union could purchase the notes of a liquidating credit union as an investment in precisely the same way that it purchases, say, Government bonds as an investment. It would in the process certainly be helping a cousin, if you will, or helping an uncle, and in a broad sense of the common bond of the credit union family it would be perhaps a more useful type of investment in the credit union family picture, but it would not violate the common bond.

We would also remind you that under many of the State acts, for instance, at the present time credit unions are permitted investments in any bank-eligible, high-grade corporate security, generally the first several ranges of the Moody or Poor ratings.

And credit unions now, State chartered credit unions, are investing in, say, General Motors debentures and A.T. & T. debentures, and so on, when excess funds exist.

We think it would be better to help a liquidating credit union, and this act proposed under Federal legislation for the Federal credit unions would expand the investment concept and would not in any sense violate the common bond.

There are one or two other things that I would speak to specifically and then ask for whatever questions you might ask.

In respect to the stabilization programs referred to in part 1 of section 1 you have a proposed amendment here which would cover the existing stabilization and reserve programs of CUNA and various State leagues. We have about 34 or 35 State leagues that have some

type of existing stabilization programs for credit unions that are either temporarily insolvent or are actually liquidating.

Probably the most significant one—the one I am most familiar with by virtue of my own association in the Michigan league with it—is the one we speak of most in the statement. I will not go into detail, but it is significant that under this program in better than 10 years there has never been a liquidated credit union a member of the Michigan league that has not paid off 100 cents on the dollar. And in some instances it has been at the expense of very substantial sums from the stabilization reserves.

Despite the fact that this record of a 100 percent payout is now more than 10 years old, there are currently in this one State accumulated, immediately available reserves of about a million and a quarter dollars right now. In other words, they have not just barely made it. They have been building their reserves while having this enviable record of a stabilization program.

Unfortunately, most of the States aren't this well equipped. And this would hopefully give a legislative avenue for some strengthening of the existing stabilization programs in some 35 States now.

We have, of course, substantial agreement from the Bureau on the authorities of the loan officer. We think that the loan officer legislation of a number of years back has worked remarkably well. The Bureau shares this feeling. And the extension is a reasonable one, and apparently the Bureau agrees.

We have some suggestions on modernization of dividend payments. There are some of these other points that are discussed in the statement in detail which I will not touch on.

I would like, however, to take a moment or two with the provision on reserves. The reserves, of course, are currently based upon the total assets of the credit union, the members' shares being the primary asset. The proposal in this legislation is to relate the reserve to the liabilities, to the loans, and to make that relationship 7 percent of loans as the goal for a credit union reserve.

As Deane Gannon has indicated, the 1966 figures show for the Federal credit unions as a group the figure has now reached 7.2 percent when related to outstanding loans.

It is significant to note, however, that that figure as recently as 10 years ago was 4.7 percent related to loans.

Again I would emphasize the growth from 4.7 to 7.2 in a period of 10 years at a rather steady rate—annually 4.7, 5.0, 5.5, 5.5, 5.5, 6.0, 6.3, 6.6, 6.8, 6.9, and 7.2.

Now, as we have gone from less than 5 percent to more than 7 percent in relation to a sharply increasing amount of loans, the dollar value has gone from less than \$50 million to around \$300 million. So our reserves have been growing dramatically.

The cumulative figure of loan writeoffs—this is all Federal credit unions, and this is the Federal Bureau data—is 0.23 of 1 percent of all loans made from the inception of the act to the present time have been charged off as uncollectible—0.23 of 1 percent of loans.

We are suggesting a reserve ratio of 7 percent of loans which is roughly 28 times or something like that the experience to date on loan writeoffs cumulatively.

Now, admittedly, we may be playing games with statistics, and I am not suggesting 28 times is really significant. But it is a big chunk

of reserves that the credit unions are now holding in terms of any reasonably anticipated loan losses.

And really what this legislation as proposed would seek to do is to stabilize the relative figure, not the absolute, stabilize the relative figure at about 7 percent where it is now.

We think we have way more than we need. We do not suggest it be cut back. As a matter of fact, the 7 percent figure if written into law would mean a very substantial increase in reserves measured on dollar value every year, because as loans go up reserves would go up, and it would stay at the 7 percent figure, which is now better than 50 percent higher than it was 10 years ago and we feel is much more than adequate.

The only suggestion really I would make in my summation is that CUNA, as I think you gentlemen are aware, is an association of leagues representing credit unions throughout the United States, Canada, indeed throughout the world. We are concerned here, of course, only with the U.S. credit unions which would be affected by Federal legislation. But we have researched these things carefully. We feel that we are asking for some very reasonable goals.

We are very happy that with most of the major points that the Bureau of Federal Credit Unions is in agreement with us. The relationship of CUNA to the Bureau of Federal Credit Unions has been and continues to be an excellent one, and we are quite aware of the possibility that some of this perhaps could be drawn with a little more precision. We would be most happy obviously to seek to work out with the Bureau better wording if some better wording is possible.

But we would strongly urge your support of S. 1084 and S. 1085, because we think it is good legislation, honest legislation to help lots of Federal employee credit unions. And S. 1085, more broadly, would help all Federal credit unions whether Federal employees or others.

Thank you very much, sir.

Senator PROXMIRE. Thank you very much, Mr. Marin. It is good to have such good, strong, articulate representation of the credit unions, because all of us agree they have served a wonderful purpose, and they have a great future, and we certainly want to do all we can to help them and encourage them in any legitimate way we can.

I want to apologize for not being here, and I want to thank Senator McIntyre for his wonderful help. He had to absent himself from other meetings in order to be here I am sure, and I deeply appreciate that.

The objection of the Treasury to the deduction is one that seems to me the most serious and the toughest obstacle to S. 1084.

They argue that this would seem to open the door, and where would you draw the line? If credit unions can have these deductions, why should not banks and savings and loans and every other kind of savings institution anybody can dream of?

And while this is, as you say, an extraordinarily efficient way for people to save, doesn't it seem that it would impose a burden on employers all over the country and increase the cost if you cannot draw the line with credit unions? And if you draw it now, can you justify—

Mr. MARIN. Well, Senator Proxmire, first of all, I think you could just draw the line. But I would not personally advocate you draw the line, because it seems to me if I were doing that I would be falling into the same specious argument the Treasury Department has fallen

into—that we want a captive audience. And I do not think that is the way it should work in a competitive kind of society.

I think, as a matter of fact, that a credit union is very different than a bank or a savings and loan or any other financial institution vis-a-vis—

Senator PROXMIRE. You say we should go ahead and authorize all savings institutions?

Mr. MARIN. Yes, as long as they pay the full cost. Notice that that is in the legislation. This is no cost whatsoever to the Federal Government.

Senator PROXMIRE. I am dissatisfied the Treasury Department was not able to come up with much of a cost estimate as I read their statement hurriedly. Perhaps they did.

Mr. MARIN. They have on prior occasions, Senator, and I think, as a matter of fact, it could be done.

This is one that I quoted briefly. This was provided by the Treasury Department in respect to the one-check payroll plan at the time that hearings were held on that in January of 1966. And the Treasury Department supplied cost estimates then on the cost of printed checks, cost of window envelopes, cost of postage, the Treasury processing, the machine preparation, the cost of issuing and collecting the check.

Now, again, it seems to me that the efficiencies of automated data processing payroll deductions are so great that if you took a real wild ball-park estimate of costs and then added 100 percent to take care of contingencies that you overlooked and added another 100 percent on to take care of the possibility that there are some hidden overhead charges, you would still come up with a much more efficient way of handling it.

And many employers, for instance, have done this. They have indicated so many cents an item for processing every payroll deduction as a cost to the credit union. And they don't attempt to justify it.

Now, I think, as a matter of fact, the Treasury has indicated about what it would cost, and perhaps it would be something like 7 cents for each total check issued.

Now, this, notice, indicates five of that is the actual postage of mailing a check. Presumably, if this were a lump sum payroll, you would eliminate substantial numbers of those charges.

But I submit that even if it were 7 or 8 cents an item, the likelihood is that it costs the credit union more to service it now, and it is certainly a much greater inconvenience for the Federal employee when he must physically walk to the credit union, take a teller's time, make out a deposit slip, get a receipt for his savings, and have that ultimately posted to a machine.

Senator PROXMIRE. This is all on the assumption that credit unions alone do this. Suppose you have credit unions and savings and loans and banks and various other groups that get into the act. I suppose maybe even insurance operations, because that is a form of savings. Does this not make it complex?

Mr. MARIN. Here we are talking about the Federal Government though, Senator, who by and large are going to be computerized all the way. This is payroll deductions now for Federal employees in S. 1084.

Senator PROXMIRE. You are talking about simply Federal employees?

Mr. MARIN. Yes.

Senator PROXMIRE. I see.

Mr. MARIN. As such, of course, it would be thoroughly computerized operation. I think that is correct. Or almost thoroughly computerized.

Senator PROXMIRE. Then, of course, the other objection which they had which they feel very strongly about because it is so important to them is what this would do to savings bond investment, which they say is such a matter of national priority and a matter of providing for the strongest possible hedge—I mean policy of preventing inflation—and of making money available to the Federal Government for Federal Government purposes rather than have it enter the private economy where if it goes into credit unions and especially if it goes into banks and savings and loans it would go into investment which has inflationary effects also.

Mr. MARIN. Except that—and again without trying to really take too much time on this—professionally I am an economist, chairman of the department of economics of Aquinas College in Grand Rapids, Mich., and I think it is a fairly well-known fact in terms of money and banking theory that the savings bond program is essentially a psychological program that has great merits. And I support it. But it is an inefficient program.

Senator PROXMIRE. It is what? Efficient or inefficient?

Mr. MARIN. An inefficient program. The savings bond device is among the most costly methods of the Treasury forcing savings on the people.

If, for instance, they issued instead of nonnegotiable series E type or freedom share type instruments—if they instead went to negotiable instruments and sold them through the banking industry—

Senator PROXMIRE. Well, they reach different people. The kind of people who can invest part of their pay, the kind of Federal employees who invest part of their pay, in savings bonds by and large are the great generality of Federal employees. The Federal employee who can enter the bond market and buy negotiable instruments is a pretty small portion.

Mr. MARIN. Directly, Senator. But indirectly it all washes off in control of inflation. For instance, any time a banking system—

Senator PROXMIRE. It may wash off, but you are just not going to persuade the mass of people with relatively modest incomes to save money by putting their money into negotiable instruments, because they just do not have that kind of money. You buy a \$1,000 bond or \$5,000 in bonds—

Mr. MARIN. Except if we get to where we started the main reason they are suggesting this is not that the savings are not going to occur. This individual presumably is going to save in his credit union instead of saving with the Treasury. This is the objection.

Senator PROXMIRE. That is a big presumption. It may be true. It undoubtedly is true with some.

Mr. MARIN. I think it is not true.

Senator PROXMIRE. It is also true when you have some of the drives, and some of them have been exposed as coercive. Nevertheless, there is also a psychological element here that people do say they want a hundred percent representation and they begin to think about it and they do save where otherwise maybe they would not. But in many cases they definitely would not. So that in this sense it does serve a purpose of stemming inflation by taking money out of the spending stream.

Mr. MARIN. Its psychological value I think primarily is the sense of direct participation. That is, when a Federal employee or anyone on payroll deduction for bonds buys a bond, he has a direct and immediate feeling that he has bought a bond.

If, however, he puts money in a credit union, and let's presume that this gives the credit union more liquidity than they need and they buy a bond, he does not know this.

But the point I am making is the Treasury can sell all the bonds it needs to sell, and it can do it more efficiently, by selling them in large blocks of negotiable instruments. And this is a well-known fact in terms of the study of money and banking.

Now, all I am saying is that it does not ultimately matter who buys the bond, whether it is the individual who buys it retail in a small, inefficient chunk or whether it is bought by a bank or someone else in the financial institutions field. The ultimate inflationary or deflationary effect, as the case may be, is going to be the same.

Senator PROXMIRE. Except there will be a bigger market for bonds because people who have the kind of money that enables them to buy negotiable instruments would tend to buy the bonds anyway. But as your market gets bigger, more people are willing to buy bonds. It helps hold interest rates down. It means you can sell bonds at a lower price because you have a broader market, greater demand. You have a greater opportunity to sell them when you break it into—

Mr. MARIN. Dollar volume, Senator.

Senator PROXMIRE. At any rate, I think my argument may not be appropriate as far as inflation is concerned, because if you continue the saving bond program and add to it these other savings institutions led by credit unions, it would seem to me that you would have perhaps just as great an incentive and perhaps greater for people to save a greater and greater share of their paycheck. They have an option. They can put it into savings bonds. They can put it into the credit union. They can put it into the bank if that is what they want to do. And right down the line.

Mr. MARIN. I am in no disagreement at all about the deflationary advantages of higher levels of saving. This is agreed upon. But the point that I would make is that I think the Treasury oversimplifies the case to presume that somehow or other saving in Government bonds is more deflationary than saving in the credit union. Now, there are some possibly valid peripheral issues here—but not very.

And, secondly, I see this as a specious argument. I see it as a matter of pride for them. If they went to this program—and, as a matter of fact, with the Federal employee now given the free option of going to bonds or going to his credit union, if he goes to the credit union savings, I can see this offending the pride of those supporting the sale of the Treasury bond program.

But from a standpoint of the national interest, no. It is essentially a psychological type of thing.

First of all, of course, as you have properly said, Senator Proxmire, we do not know what would happen. The indications, in fact, as my testimony has pointed out, are to the contrary. That among the military, for instance, the Army statistics quoted and which Senator Brooke mentioned briefly in cross examination of the Treasury representative, indicate that where we have payroll deduction in the Army for credit union allotments possible and where you have payroll deduc-

tion allotments possible for bonds, that the percentage participation of the military is greater than the civilian where they do not have credit unions.

So, in other words, giving the military the payroll deduction privilege for credit unions, we still end up with a higher percentage participation in the bond program.

So we really do not know what would happen. Granting that it could work that way, I would merely say it would not be to the national disinterest.

But I do not know whether it would work that way. The evidence is certainly contradictory.

In the testimony of Mr. Smith he indicated they had the feeling that in the industrial or the private sector where bond deduction programs paralleled credit union deduction programs that they did not do as well. But we have made some limited attempt to get data here, and it is rough and it is difficult really to know what you are talking about, but we can quote at least five in the sample we got.

Oscar Meyer & Co., with 8,800 employees—

Senator PROXMIRE. That is a good one to begin with.

Mr. MARIN. I picked that one from the bottom of the list specifically because I knew you were from Madison.

There, 58 percent of the employees participate in the bond drive, and there are 6,750 of the employees covered by payroll deduction. That is, just approximately three-quarters of the people have credit union deductions, but 58 percent of them also are buying bonds.

At Lockheed, for instance, there are 74,000 employees, 59,000 of whom have credit union payroll deduction. That is roughly 80 percent. But 99 percent of them are buying bonds.

At North American Aviation, where the figure of credit union participation is roughly 50 percent by payroll—that is, 49,000 out of 99,000 employees—79 percent are buying bonds.

Now, I am sure that you could find other instances which show precisely the opposite figure. The point I would make is that the Treasury officials merely said this was their feeling. We have some data which are not feelings, which would appear to prove just the opposite assumption.

Senator PROXMIRE. Now, I have just a few other questions. I think they can be answered briefly.

One other final question on S. 1084. How would the reimbursement provision work? What would happen, for example, if you and the General Accounting Office could not agree on what constituted reasonable reimbursement?

Mr. MARIN. We would have to pay whatever was asked, is my presumption. The law says—again S. 1084, the bill, says—the credit union shall reimburse the U.S. Government for the reasonable cost of making such allotment. I presume in any showdown as to what is reasonable that the Government priority would exceed our priority.

Senator PROXMIRE. On S. 1084 the contention has been made by HEW, I understand, that this provision for central reserve is a little fuzzy and it should be—this is S. 1085. I beg your pardon.

Mr. MARIN. S. 1085.

Senator PROXMIRE. And that it should be made more precise.

So let me ask this: What kind of institution do you plan to establish to solve this central reserve problem?

Mr. MARIN. Well, again, S. 1085 specifies on this that section 1 is the aggregate amount not exceeding 25 per centum of its regular reserve in any one or more incorporated or unincorporated organizations which are controlled by credit unions or credit union associations and which use funds so invested for purposes of establishing and maintaining the liquidity, solvency, and security of credit unions.

My statement suggests that this is primarily aimed at existing stabilization funds, of which there are about 35, and some State central credit unions.

Now, the State central credit unions vary very substantially in terms of what their specifications are. If they are not established for purposes of maintaining liquidity, solvency, or security of credit unions, presumably they would not comply with S. 1085.

Specifically as to our intention of creating a new agency, I think I can honestly say right now there is no such intention of creating a new agency to do this kind of thing. The credit union movement is in the process of creating an agency to be known as the International Credit Union Services Corp., which does not now have this immediate goal. It might ultimately and, of course, would then be covered by the act if it went into liquidity, solvency—

Senator PROXMIRE. Do you use your State-established funds in setting up kind of a State plan?

Mr. MARIN. Yes. This would be on page 3 of my statement. Generally speaking, the proposed amendment would cover the existing stabilization and reserve pooling programs of CUNA and the various State leagues, as well as the activities of some State central credit unions.

Senator PROXMIRE. Who is going to supervise these stabilization funds?

Mr. MARIN. Well, at the present time most of the stabilization funds operate as part of the structure of the leagues, and they vary greatly. There is an overall CUNA Stabilization Program, Inc., which is ultimately designed—

Senator PROXMIRE. Would there be any precise designation of who is responsible for the supervision?

Mr. MARIN. I think the answer to that one—and I stand subject to correction of some of my staff people here—is no, because it would be under the various State laws at the present time if you are talking strictly State stabilization funds, except for the CUNA program which is designed to be a national or even an international program which functions under the laws of the State of Wisconsin.

Senator PROXMIRE. All right. Who would be responsible let's say in Wisconsin?

Mr. MARIN. Corporations Office in Madison.

Senator PROXMIRE. It would be whatever State agency—Does every State have an agency that would have this responsibility?

Mr. MARIN. Yes, I would say in most cases it would be under the corporations.

Senator PROXMIRE. You checked out every one of the 50 States?

Mr. MARIN. Yes, because it would not be a credit union as such unless it is a State credit union.

For instance, in Michigan, which is the largest fund, the stabilization reserves are held and are administered by a separate board of trustees which parallels the structure, however, of the Michigan Credit

Union League, which is not a credit union but an association of credit unions. Therefore, it would not come under the banking commission. It would come under the corporations.

Senator PROXMIRE. Could you supply us for the record the responsible agency for each one of the 50 States?

Mr. MARIN. I am sure than can be done, Senator.

Senator PROXMIRE. If you could.

(The following letter was received by the committee:)

CUNA INTERNATIONAL, INC.,
July 20, 1967.

Hon. WILLIAM PROXMIRE,
U.S. Senate,
Washington, D.C.

DEAR SENATOR PROXMIRE: In accordance with your request that CUNA International furnish you with a list of the authorities that regulate the various stabilization programs of the various state credit union leagues, we are enclosing a 1965 survey of the stabilization programs then in operation in the various state credit union leagues. [The survey has been filed with the committee.]

While the survey did not go into the matter of regulation, we have subsequently ascertained that none of the stabilization programs are directly and formally supervised or regulated by a state or federal government agency. As you know, stabilization activities are conducted by the several credit union leagues in order to minimize credit union failures and loss to credit union members. These programs are (with the exception of Kansas, which has formed a separate, but wholly owned, corporation) a part of the credit union league functions. Many of these leagues are, of course, set up under the various nonprofit corporation laws of the states and the District of Columbia. Some leagues are not incorporated.

Regulation of stabilization activities is accomplished at the credit union level. If money from a stabilization program is put into a specific state-chartered credit union, this is done under the supervision of the state agency which supervises these credit unions. If the credit union holds a federal charter, then the BFCU determines the manner in which these funds are handled.

Therefore, while some stabilization programs receive regulation as an incidence of the regulation imposed from other sources on participating credit unions, as a technical matter, the stabilization programs are not regulated by a government agency. However, many of the credit union leagues have auditing services or use outside auditors to audit such programs.

Sincerely,

DONALD J. MELVIN,
Director, Legislation and Governmental Affairs,
Washington Office.

Senator PROXMIRE. Would it be possible to transfer funds from the capital-rich credit unions to the capital-poor credit unions—

Mr. MARIN. Yes, that is the—

Senator PROXMIRE (continuing). Such as in the poverty program?

Mr. MARIN. That is the intent—to make it possible to move capital from the areas where it is in excess.

Senator PROXMIRE. From one State to another?

Mr. MARIN. Yes. It is presumed that the CUNA Stabilization Program, Inc., could do this and to a limited extent has done it, although so far the experience here is very minimal.

There have been a number of extensions made to either State leagues in this country or in one or two instances I am aware of—I believe Netherlands Antilles league and perhaps British Honduras—they have also had—

Senator PROXMIRE. How about a federally controlled central bank in facilitating this throughout the country?

Mr. MARIN. It is another alternative I think or a partial overlapping. And this has been discussed, too. I think the general feeling in the credit union movement is that we would prefer if possible to solve

these ourselves within the free enterprise area rather than by the creation of another Federal agency. But certainly these are other alternatives.

SENATOR PROXMIKE. Well, thank you very much. We very much appreciate this.

MR. MARIN. We thank you very much for a courteous hearing. Thank you so much.

(The prepared statements of Mr. Marin, one on S. 1084 and one on S. 1085, follow:)

**STATEMENT OF CUNA INTERNATIONAL, INC., ON S. 1084 BY KENNETH MARIN,
EXECUTIVE COMMITTEE MEMBER**

S. 1084, a bill to permit Federal employees to purchase shares of Federal- or state-chartered credit unions through voluntary payroll deductions, was introduced by Senator Sparkman at the request of CUNA International.

CUNA is seeking this legislation on behalf of some 1,428 credit unions with Federal government employees as their basic membership bond. Representing 6.4 percent of all active credit unions, these Federal employee groups had approximately 2.3 million members with total savings of \$1.1 billion at the end of 1965.

Basically, S. 1084 would amend the Federal Credit Union Act to provide that any Federal employee belonging to a credit union with Federal employees and members of their immediate family as the common bond would have the right to establish a savings program in the credit union through systematic deductions from his salary.

BENEFITS OF PAYROLL DEDUCTIONS

Payroll deductions have long been recognized as a relatively painless method of allowing people to meet their legal, social and economic obligations. It is nothing more than installment paying, a concept that is well accepted in this country. The Federal government knows this since it often requires taxes to be withheld and it provides payroll deductions from the paychecks of Federal employees for a large number of purposes: Civil Service retirement; Federal and state income taxes, social security, group life insurance, delinquent taxes, savings bonds, health benefits, labor union dues, dues for professional groups and associations, and contributions for various charities.

Industry knows the value of payroll deductions also. It is very common for a private employer to allow payroll deductions for all of the reasons the government allows and more. Many allow deductions for bank savings accounts, mortgage payments, mutual fund payment plans, stock purchase plans, and credit union savings.

EXTENT OF CREDIT UNION PAYROLL DEDUCTIONS

Payroll deductions for the members of credit unions is extremely common among United States credit unions. A 1965 study by the CUNA International Research Department reveals that 10,709 out of approximately 16,800 occupational credit unions had some form of payroll deductions granted by employers. Most of these employers were industrial concerns, but 1,700 were state, county, and municipal government agencies and school districts.

According to the same study, credit unions with payroll deductions are found in all of the states, and the system is equally popular among the smaller credit unions as among the larger credit unions. We believe the reasons for the widespread acceptance of payroll deductions for credit unions lie in the many advantages of the program—advantages which redound to the benefit of the employer, the worker, the credit union, and even to the overall economy of the nation. We would like to discuss each of these benefits briefly.

BENEFITS TO THE ECONOMY

First of all, let us look at the benefit to the American economy. During last year's period of tight money, many financial institutions experienced sharp decreases in the flow of savings funds. Such decreases were particularly noticeable to other thrift institutions.

The credit union movement, however, remained relatively unaffected by this financial turbulence. All during 1966, credit union savings continued to grow steadily, albeit at a somewhat slower pace, and at year's end they showed a net gain of \$900 million.

One significant reason for this stability would appear to be the steady flow of funds accorded over half of the nation's credit unions by the payroll deductions system. Members with the established habit of systematic thrift were not prone to disturb their deductions in order to shop around for a fractional increase in earnings on savings. This built-in stability, of course, helped the credit union in assuring a predictable source of share capital, but it also lessened inflationary pressures on the economy as a whole.

BENEFITS TO EMPLOYER AND EMPLOYEE

Payroll deductions for savings also serves the best interests of the employer and his employees. To begin with, it is a popular program with employees. A recent CUNA survey showed that immediately after a payroll deductions system is introduced in a credit union, 80 percent of the membership avails themselves of it as a means of increasing their credit union savings. Moreover, a recent study by the Opinion Research Corporation for the Foundation for Commercial Banks points out that in 33 percent of United States households someone is using the payroll deduction method of saving.

Obviously workers find that by subjecting their financial affairs to this voluntary discipline, they are less likely to fall prey to loan sharks or unscrupulous retailers. Their credit union is always there—a convenient savings depository and a ready source of credit, and money deducted automatically from the paycheck is less likely to be spent improvidently on impulse.

This leads to a financially stable work force with better morale and better work habits. Time-consuming creditor complaints to the payroll department are virtually eliminated, and the emotional and psychological symptoms resulting from financial worries are minimized.

We are of course aware of the attitude that the immunity of government employees from many of the traditional creditor processes insulates the government from many of these problems. At least many administrators and officials think this is true. But it is not the case.

It must be realized that the Federal government employee has as many financial problems as most other employee groups. The Department of Labor recently gave explicit recognition to these problems when it established a financial management and consumer education program for its employees. Financial problems had reached the point where they were affecting the overall efficiency of the Department. Furthermore, the recent *Washington Star* series on debt-consolidating firms in the Washington area, by Miriam Ottenberg, pointed out that many Federal employees seek the assistance of such firms and end up in greater financial difficulty.

That such problems exist in the government is not surprising. According to the Bureau of the Budget, 48.8 percent of Classification Act employees hold clerical and aide jobs graded from GS-1 to GS-6. This would indicate that nearly a million Federal employees are of moderate means, clearly requiring access to credit sources and special inducements to save regularly.

BENEFITS TO CREDIT UNION

Payroll deductions are demonstrably advantageous to the overall operations of a credit union. A recent CUNA study compared 10,000 credit unions, both with and without payroll deductions. The averages and ratios on savings, loans, and delinquencies were consistently more favorable for those credit unions having the privilege of payroll deductions. (See Appendix A, attached.)

Moreover, by attracting ample share capital at minimal expense, payroll deductions makes it easier for a credit union to offer consumer loans to members at low interest rates while providing an attractive dividend to savers on their shareholdings.

Hundreds of employee transactions can be handled automatically and at one time, thus eliminating the need for frequent individual visits to the credit union office. Furthermore, the office space required for credit union operations is lessened since fewer credit union officials can handle a greater volume of transactions. These officials will also have more time to assist distressed members by means of financial counseling and prorating of overdue debts.

ADMINISTRATION ARGUMENTS IN OPPOSITION

During the past several years that CUNA has been attempting to obtain payroll deductions for government employees, we have been opposed by the

executive department for various reasons. We believe it would be helpful to the committee to state the reasons and to offer our rebuttal.

In general, the reasons for the opposition of the administration to payroll deductions for government employees can be summarized as follows: (1) The Federal government presently has authority to permit this privilege and further legislation is not needed. (2) If the payroll deduction is granted to credit unions, other savings institutions would ask for a similar privilege. (3) This would create an added burden on the government's payroll system and would be extremely costly to the government. (4) Credit union payroll deductions would adversely affect the Federal savings bond program.

It is true that Public Law 87-304 (75 stat. 662) grants discretionary authority to department heads, subject to Presidential regulation, to permit employees to make payroll allotments for any purpose deemed appropriate by department heads. As the administering agency of this law, the United States Civil Service Commission has refused all of our requests to permit payroll deductions for credit union savings, except for certain employees serving abroad or away from their post of duty.

We believe that it is futile to argue that this bill is not necessary since the authority to do what the bill requires already exists. Of course, Congress has heard this argument many times from departments that do not want to exercise discretionary authority and do not want Congress to require them to do so. The fact is that because of pressure from the Treasury Department, the Commission has refused to use its authority. S. 1084 would remove the discretion and make it the right of an employee to have payroll deductions for savings in his credit union. The benefits to be derived from such a service requires that Congress make the program mandatory. Congress is the only remaining source of action since we have exhausted our administrative routes and since the courts cannot generally require an administrator to do something that Congress has told him he is free to do or not to do.

The second reason for opposing the bill has probably been used each time a new deduction has been requested. Of course, our request would create additional work for those administering the government payroll but it would be necessary work and it would not cost the government anything since S. 1084 would require the credit union to pay any additional cost.

While we believe that credit unions are unique enough to be easily distinguishable from other financial institutions, we cannot seriously object to granting the same opportunity to the others.

A credit union, it should be stressed, is not a commercial organization. It is a non-profit membership association run on cooperative principles. Unlike commercial lending facilities, it does not serve the general public. It is confined solely to promoting the welfare of its members, which in the case of the Federal service are the employees of a particular Government agency.

Further, credit union directors and committee members serve without compensation. Any income left over after allocation of reserves and payment of expenses are returned to the members in the form of dividends on shares and refunds of interest on loans.

The fourth reason, in our opinion, is the real and only reason that the executive department opposes S. 1084. Aside from the fact that it seems grossly unfair for the government to prevent its employees from having access to payroll deductions for other forms of savings simply because it wants to maintain a captive market for its own savings bonds, we have never seen any evidence that supports this argument. As a matter of fact, we recently obtained a list of companies on the Treasury Department's payroll savings bond honor role. Many of the companies also have payroll deductions for credit union savings. The conclusion may be that the savings bond argument is purely speculative and without merit. This conclusion is bolstered by the experience of the Department of the Army. As you know, the military have the allotment privilege through which they can make deposits to their credit unions. About 83.6 percent of these military people buy savings bonds. In the same department, civilian employees generally do not have allotment privileges, yet their participation in the savings bond program is only 74.9 percent.

CONCLUSION

We are of the opinion that the arguments we presented in support of S. 1084 are considerably stronger than the arguments presented against it and we respectfully urge its adoption by Congress.

CREDIT UNION BILLS

Selected averages and ratios of U.S. credit unions¹ with and without payroll deductions—by States, 1965

[GUNA Table of the Month]

State	Borrowers/members		Average savings per member		Delinquent loans/loans outstanding		Number of delinquent loans/borrower		Average auto loan/ per member	
	With payroll deduction (percent)	Without pay- roll deduction (percent)	With payroll deduction	Without pay- roll deduction	With payroll deduction	Without pay- roll deduction (percent)	With payroll deduction	Without pay- roll deduction (percent)	With payroll deduction	Without pay- roll deduction
Alabama	60.71	45.88	\$607.17	\$417.26	\$543.70	\$382.12	2.32	3.31	3.92	\$76.10
Alaska	74.88	62.57	641.66	512.77	631.37	429.92	2.22	2.42	3.09	112.15
Arizona	63.21	43.35	574.96	430.90	484.38	400.22	1.96	3.38	2.28	137.78
Arkansas	69.55	54.96	379.59	404.68	359.05	421.83	2.15	3.24	3.54	5.15
California	59.64	45.84	628.03	501.39	613.73	486.55	2.06	4.20	3.50	8.74
Colorado	69.54	49.23	708.70	489.62	631.09	425.44	1.25	3.22	1.86	3.67
Connecticut	63.83	43.11	642.53	472.23	451.46	349.64	2.22	9.46	3.36	14.38
Delaware	81.57	51.80	504.20	368.87	477.12	365.04	4.10	4.10	4.75	6.22
District of Columbia	48.06	54.21	616.16	450.36	561.82	416.13	1.21	3.30	2.71	5.42
Florida	57.92	538.83	441.83	464.58	413.22	502.65	1.21	2.42	1.69	4.48
Georgia	54.42	533.29	506.50	456.95	505.31	574.24	2.14	4.11	2.47	120.66
Hawaii	59.82	46.09	766.40	756.54	550.31	631.77	428.69	1.80	4.96	4.88
Idaho	56.24	29.89	492.40	420.81	447.37	480.02	387.42	1.76	4.25	8.65
Illinois	52.20	38.43	615.46	447.37	491.77	449.72	2.85	5.86	3.32	3.26
Indiana	65.16	44.45	645.98	608.25	566.82	481.57	1.31	2.29	3.33	4.94
Iowa	45.11	36.92	640.60	481.57	510.65	581.16	2.33	4.15	2.61	1.98
Kansas	59.32	57.14	573.51	630.55	543.94	439.94	2.94	4.17	7.74	10.94
Kentucky	65.30	51.20	488.45	407.90	452.14	343.60	2.49	3.72	1.44	6.88
Louisiana	62.56	36.13	544.19	433.60	494.36	466.66	3.47	4.89	3.47	91.20
Maine	65.97	40.36	559.05	494.36	466.66	494.36	2.10	3.17	5.43	105.03

CREDIT UNION BILLS

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Maryland-----	72.57	43.70	416.41	465.68	352.99	303.99	96.90
Massachusetts-----	59.56	41.88	567.56	427.90	511.51	401.04	45.22
Michigan-----	61.59	35.11	665.22	614.16	516.86	428.32	135.03
Minnesota-----	54.87	41.92	966.08	623.69	552.74	528.04	125.02
Mississippi-----	73.89	47.73	433.27	434.87	519.27	414.77	4.76
Missouri-----	65.14	39.02	620.08	447.89	526.14	384.08	4.64
Montana-----	61.96	40.98	456.61	427.89	440.99	378.77	4.65
Nebraska-----	57.84	46.85	568.93	792.89	472.15	393.27	2.07
Nevada-----	72.71	52.00	572.01	578.09	559.10	506.31	2.05
New Hampshire-----	61.58	32.83	479.72	525.41	406.30	437.42	2.22
New Jersey-----	58.72	53.87	528.55	388.98	324.51	274.67	3.27
New Mexico-----	72.24	54.61	614.84	551.89	527.05	483.34	1.61
New York-----	76.46	43.55	406.55	428.80	435.53	342.25	3.27
North Carolina-----	45.76	43.33	560.79	333.75	382.13	286.54	2.05
North Dakota-----	65.35	41.65	621.66	454.56	535.67	331.01	2.05
Ohio-----	68.84	63.80	511.80	753.49	491.98	613.89	1.22
Oklahoma-----	58.66	53.59	559.53	612.26	522.78	511.85	1.22
Pennsylvania-----	54.61	38.73	515.76	379.95	389.77	288.64	2.07
Puerto Rico-----	69.49	65.14	420.07	276.23	405.57	275.18	2.05
Rhode Island-----	51.49	31.51	578.14	485.64	643.12	417.54	1.34
South Carolina-----	90.27	67.77	446.10	352.82	434.00	339.79	1.34
South Dakota-----	62.34	37.40	571.98	490.87	483.84	384.28	1.22
Tennessee-----	71.64	53.61	618.78	481.28	541.20	462.33	1.22
Texas-----	68.31	53.23	550.00	569.37	523.13	535.94	1.22
Utah-----	62.21	56.97	656.12	487.67	611.07	476.85	1.01
Vermont-----	45.63	40.99	405.99	362.63	403.67	365.01	1.01
Virginia-----	74.02	51.02	492.14	524.20	491.22	448.71	1.01
Washington-----	70.27	48.63	646.64	669.38	698.26	577.66	1.01
West Virginia-----	68.86	41.32	506.61	347.70	490.66	291.54	1.01
Wisconsin-----	50.51	38.78	698.36	537.61	643.42	434.74	1.01
Wyoming-----	59.50	43.17	530.97	531.35	506.22	431.93	1.01
Total-----	58.77	41.62	610.91	498.57	534.77	424.31	1.95
							4.24
							3.23
							7.41
							123.19
							117.40

¹ Based on credit unions reporting for 1966 CUINA yearbook.

STATEMENT OF CUNA INTERNATIONAL INC. ON S. 1085 BY KENNETH MARIN,
EXECUTIVE COMMITTEE MEMBER

Mr. Chairman, my name is Kenneth Marin, and I am here to endorse S. 1085 on behalf of the 11,500 Federal credit unions that are members of CUNA International, Inc.

S. 1085 was introduced by Senator Sparkman at the request of CUNA International. It contains several provisions which we believe will help Federal credit unions to better serve the needs of their members.

CORRECTIONS

Before going to the substance of the bill, we would like to point out that there is a technical error in the bill since Section 2 has been inadvertently omitted.

We also want to point out that since the introduction of S. 1085, the National Board of CUNA International, Inc., representing five directors from each state credit union league, has voted to omit that part of the bill which would require each Federal credit union to establish an education committee. These provisions are at the present time contained in Section 3, page 2, lines 14 through 23 and in Section 5, page 3, lines 3 through 15. The National Board was of the opinion that any Federal credit union desiring to establish an education committee has ample authority to do so at the present time. It expressed the opinion that a proposal to make it mandatory for a Federal credit union to establish an education committee would place an unnecessary burden on the Federal examiners. At the same time, the National Board noted that many Federal credit unions do have education committees or an education officer.

LIQUIDITY, SOLVENCY, AND SECURITY

Section 1 of the bill contains two separate provisions which are related in that they are both designed to allow Federal credit unions to continue developing the means of protecting the savings of their members without recourse to public resources or governmental authority by providing additional means for promoting the liquidity, solvency, and security of Federal credit unions. While savings lost by members of Federal credit unions have actually been less than savings lost by depositors and shareholders of insured financial institutions, we realize that the economy of our country is constantly undergoing many changes and we realize that it is often difficult to anticipate the result of many of these changes. We are therefore taking steps to organize and strengthen organizations owned and operated by credit unions and credit union members, thereby helping us to maintain our excellent record.

STABILIZATION PROGRAM

The first part of Section 1 amends subsection (7) of Section 8 of the Federal Credit Union Act (12 U.S.C. 1757). It gives a Federal credit union authority to invest up to 25 percent of its regular reserve in one or more incorporated or unincorporated organizations which are controlled by credit unions or credit union associations and which use funds so invested for purposes of establishing and maintaining the liquidity, solvency, and security of credit unions. This amendment is intended to permit Federal credit unions to participate directly in the stabilization and reserve pooling concepts of CUNA Stabilization Program, Inc. At the same time, the language is intentionally broad enough to permit investment in any other credit union organization which uses funds for maintaining the liquidity, solvency, and security of credit unions.

Generally speaking, the proposed amendment would cover the existing stabilization and reserve pooling programs of CUNA and the various state leagues, as well as the activities of some state central credit unions. The state central credit unions would qualify only if membership control is vested in credit unions or credit union associations.

In order to more fully explore the concept under discussion, it will be useful to point out that the credit union movement has over the years been developing a stabilization program. Many of the state credit union leagues have stabilization programs which, of course, differ in their authority and in their methods of operation. Any of these state league stabilization programs may affiliate with CUNA Stabilization Program, Inc. The general purpose of CUNA

Stabilization Program, Inc., is to aid in the financial rehabilitation and stabilization of credit unions.

CUNA Stabilization works entirely through leagues, primarily through financial grants and assistance, and it carries on no activities of its own. On the other hand, league stabilization programs work directly with financially distressed credit unions. The emphasis at the league level is on technical rather than financial assistance, but financial assistance is available to purchase loans, etc., if that should become necessary. Probably the most successful example of a good credit union league stabilization program is that operated by the Michigan Credit Union League. During its first eight years of existence, which includes that period of time up to the present, the League has successfully avoided any losses to credit union members in the state of Michigan.

It is of course realized that when a program is as successful as that of the Michigan League, it tends to augment the reserves that are otherwise required by law. Therefore, it seems quite logical to permit a Federal credit union to pool a portion of the reserves with other credit unions for the purpose of assisting in the financial rehabilitation and stabilization of all participating credit unions. The effect of this system is to charge individual credit union losses against the reserves of all participating credit unions. Therefore, the risks are spread out and the chances of an individual credit union liquidating with losses to its members is minimized. Of course, funds placed in the pool will be invested so that income can be earned.

PURCHASING NOTES OF LIQUIDATING CREDIT UNIONS

The second part of Section 1 is also designed to maintain the liquidity, solvency, and security of credit unions. It would permit a Federal credit union to purchase from a liquidating credit union the notes of the individual members of the liquidating credit union. It should be noted however that the individual member whose note is being purchased would not become a member of the purchasing credit union unless he is within the common bond of the purchasing credit union. This proposal would allow a league stabilization program to call upon Federal credit unions for assistance in helping to stabilize or liquidate a distressed credit union. The stabilization fund would ask the Federal credit union to purchase some of the notes of the distressed credit union thereby providing liquidity to the distressed credit union without substantially impairing the funds of the stabilization fund. This would allow the stabilization program to funnel out the good notes to the purchasing credit unions and to use its own funds to purchase the more risky notes. The end result would help to assure that each member of the distressed credit union would receive at least 100 percent on the dollar.

SELF-HELP AND LIQUIDATIONS

Both of these proposals will enable Federal credit unions to fully implement their basic purpose of self-help. They will allow credit unions to help one another without seeking external assistance from the government. At the same time, they provide an additional option to liquidating credit unions and regulatory officials thereby increasing flexibility in handling the problems which arise from the liquidations of credit unions. In this regard, it is worth noting that liquidations of credit unions are not comparable to liquidations of other financial institutions or other businesses. Actually, within the credit union context, liquidations are a sign of volatility and vitality in the economy. It must be remembered that credit unions can only serve members that have a common bond. When this common bond no longer exists, then the credit union generally liquidates. The destruction of the common bond can be caused by the closing of a military installation, by the closing of an industrial plant, by a merger, by population shifts, by plant moves, and by all of the various other factors which are present in our contemporary economy.

These two provisions are simply extensions of the self-help program which the individual members of credit unions have been carrying out since the organization of the first credit union. The credit union movement considers this self-help characteristic to be basic to its operations and philosophy and has transferred this principle to credit union related organizations that have been established within the credit union movement. We prefer to continue in this path.

AUTHORITY OF LOAN OFFICER

Section 4 of the bill would authorize the credit committee to delegate to the loan officer the power to approve loans on the same basis as the credit committee presently does. At the present time, the Federal Credit Union Act allows the credit committee to appoint one or more loan officers and to delegate to him or them the power to approve loans up to the unsecured limit (\$750) or in excess of such limit if such excess is fully secured by unpledged shares. This means that a loan officer cannot approve a loan for an automobile; nor can he approve a loan secured by an insurance policy; nor can he approve a loan secured by a co-signer.

The original Federal Credit Union Act made it mandatory for the credit committee to approve all loans. However, in 1959, the Act was amended to allow the credit committee to appoint loan officers and granted them the authority mentioned above. The 1959 amendment was granted by Congress in order to reduce the burden placed upon the credit committee. Congress recognized that the credit committee is made up of voluntary members who are not compensated and who often find it difficult to meet on short notice. This authority has proved to be extremely useful and has not changed the character nor the operations of Federal credit union. The credit committee continues to perform a very valuable function and its overall authority has not been diminished since the loan officer is, and will be under this proposal, required to furnish to the credit committee a record of each loan approved or not approved by him. In cases where the loan has not been approved by the loan officer, the credit committee is required to review the loan application and to act upon it.

By extending the authority of the loan officer, a reduction in the work load of the credit committee will become evident. This will enable the credit committee to devote more time to reviewing applications for loans which require extended treatment. At the same time, it will give the credit committee time to counsel more extensively with the credit union member and to provide him with more personal assistance in arranging his finances. It will also allow the Federal credit union to serve its members more quickly and efficiently.

REALISTIC RESERVE STRUCTURE

Section 6 of the bill changes the total maximum amount of reserves that must be set aside by a Federal credit union, and, more important, it relates the reserves to loans outstanding rather than to the total amount of members' shareholdings.

The reserve requirement in the original Federal Credit Union Act was strictly a reserve for losses on loans. Federal credit unions were required to set aside fees and fines and 20 percent of net earnings each year. There was no limit on the amount of reserves until 1949, at which time the Act was amended to provide that such reserves had to be set aside until the reserve fund equaled 10 percent of the total amount of shareholdings outstanding.

At the same time, the concept of the reserve fund was expanded to provide that it could be used to cover any type of loss sustained by the Federal credit union—not just losses on loans. This expanded concept may account for the fact that reserves are based on shareholdings and not on loans outstanding.

Experience has indicated that the reserve requirement is considerably more than is needed. Losses endured by Federal credit unions are minimal and reserves are substantial. The Federal credit unions now in operation have had a loss ratio of 23/100 of 1 percent of loans granted. The losses on shares of Federal credit unions that liquidated between 1934 and 1965 were less than \$1.5 million. The amount of regular and special reserves at the end of 1965 came to \$290.5 million. If this section were amended, the Director of the Bureau of Federal Credit Unions would still have ample authority to require the establishment of special reserves when needed by certain Federal credit unions.

The changes being sought will not, in our opinion, adversely affect the liquidity or solvency of Federal credit unions. The reserves of credit unions are more than ample to meet the needs of credit unions and this therefore raises the question as to whether excess addition to reserves actually favors the future member of the credit union at the expense of the present member. If reserves were made more realistic, the credit union would have greater opportunity to participate in

lower interest loan programs such as FHA home improvement and student loans; and, at the same time, it would probably enable Federal credit unions to pay a bigger interest refund to the borrowers.

MODERNIZE DIVIDEND PAYMENTS

Section 7 of the bill would authorize a Federal credit union board of directors to declare dividends quarterly and would allow it to apply a dividend credit for the first ten days of the month. At the present time, the board of directors has authority to declare dividends annually or semi-annually, and it has authority to apply a dividend credit for the first five days of the month. In other words, any shares that are fully paid up during the first five days of the month are eligible to receive a dividend credit.

These two provisions are designed to allow Federal credit unions to continue to attract savings with the use of contemporary methods which have attained considerable acceptance by other financial institutions. They are inducements for savers which are very necessary to some Federal credit unions to attract savings in order to have funds to lend to members. Failure to adopt contemporary inducements could possibly result in a decline of savings inflow which in turn could cause a reduction in the low interest loans that credit unions were chartered to provide.

Senator PROXMIRE. This will conclude the hearings. The record will be open until July 21. We certainly will give these bills our most sympathetic consideration and act on them as promptly as we can.

(Whereupon, at 11:45 a.m., the subcommittee adjourned, subject to the call of the Chair.)

(The following material was received for the record:)

THE AMERICAN BANKERS ASSOCIATION,
Washington, D.C., June 30, 1947.

Hon. WILLIAM PROXMIRE,
Chairman, Subcommittee on Financial Institutions, Banking and Currency Committee, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Reference is made to S. 1084, a bill to permit Federal employees to purchase shares of Federal or State chartered credit unions through voluntary payroll allotment, to be considered by the Subcommittee on Financial Institutions. Under the bill, any Federal employee would have the right to have payment on shares in a credit union in which he is a member made by allotment from his salary in such amount and at such times as he may from time to time request in writing. It is required, however, that the credit union shall reimburse the U.S. Government for the reasonable cost of making such allotment.

The American Bankers Association, on behalf of its member institutions, requests that in the event the Committee gives favorable consideration to this bill, that it be amended to include also provisions to permit Federal employees to exercise similar privileges to make payments to banking institutions for deposit in savings accounts of such employees. There should not be any discrimination in payroll deductions between Federal employees who have savings accounts with banking institutions and those who save through share accounts in credit unions.

Even though the bill provides for reimbursement for the reasonable cost to the Government of making the allotments authorized thereunder, we believe that before any legislation is enacted to extend the area of permissible payroll deductions by Federal employees, the increased payroll operating costs that the Government will be subjected to be considered, as it is difficult to justify granting privileges to some groups and denying them to other groups. As more areas are opened for payroll deductions this inevitably leads to demands for similar privileges by other groups, with a resulting substantial increase in the costs of Government.

Your favorable consideration of our request will be appreciated.

Sincerely,

CHARLES R. MCNEILL.

NATIONAL ASSOCIATION OF MUTUAL SAVINGS BANKS,
New York, N.Y., July 7, 1697.

Hon. WILLIAM E. PROXMIRE,
Senate Banking and Currency Committee,
U.S. Senate,
Washington, D.C.

DEAR SENATOR PROXMIRE: I am writing you on behalf of the mutual savings bank industry to express our support for an appropriate amendment to the Federal Payroll Deposit Act which would permit Government employees to designate a thrift institution as a recipient of a portion of their salary or wages.

The mutual savings bank industry is dedicated to promoting thrift over the entire economic life cycle of the individual and his family. We accordingly support any measure which would promote an increase in saving which thrift institutions employ in meeting the nation's mortgage financing and other long-term capital needs.

Sincerely,

GROVER W. ENSLEY,
Executive Vice President.



LEGISLATIVE HISTORY
Public Law 90-365
H. R. 6157

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INDEX AND SUMMARY OF H. R. 6157

Feb. 27, 1967 Sen. Sparkman introduced S. 1084 which was referred to Senate Banking and Currency Committee. Print of bill as introduced.

Rep. Patman introduced H. R. 6157 which was referred to House Banking and Currency Committee. Print of bill as introduced.

Oct. 9, 1967 Senate committee reported S. 1084 with amendments. S. Rept. 590. Print of bill and report.

Oct. 11, 1967 Senate passed S. 1084 as reported.

Oct. 12, 1967 S. 1084 was referred to House Government Operations Committee. Print of bill as referred.

Nov. 3, 1967 House committee voted to report H. R. 6157.

Nov. 7, 1967 House committee reported H. R. 6157. H. Rept. 893. Print of bill and report.

Jan. 30, 1968 Rules Committee reported a resolution for consideration of H. R. 6157. H. Res. 1048. H. Rept. 1068. Print of resolution and report.

Feb. 5, 1968 House passed H. R. 6157 without amendment.

Feb. 6, 1968 H. R. 6157 was referred to Senate Banking and Currency Committee. Print of bill as referred.

June 11, 1968 Senate committee voted to report H. R. 6157.

June 12, 1968 Senate committee reported H. R. 6157 with amendments. S. Rept. 1228. Print of bill and report.

June 13, 1968 Senate passed H. R. 6157 with amendments.

June 17, 1968 House concurred in Senate amendments.

July 29, 1968 Approved: Public Law 90-365.

DIGEST OF PUBLIC LAW 90-365

FEDERAL EMPLOYEES' PAYROLL SAVINGS DEDUCTIONS. Permits Federal employees to have up to two payroll deductions for deposit with commercial banks, savings banks, credit unions, or savings and loan associations, and the remainder of the employee's check to be deposited in a checking account or other savings account. The Government will be reimbursed for the additional cost of providing the payroll deductions by the financial institution receiving the deduction.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 27, 1967

Mr. SPARKMAN (by request) introduced the following bill; which was read twice and referred to the Committee on Banking and Currency

A BILL

To permit Federal employees to purchase shares of Federal- or State-chartered credit unions through voluntary payroll allotment.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That section 25 of the Federal Credit Union Act (12 U.S.C.
4 1770) is amended (1) by inserting “(a)” immediately
5 after “SEC. 25” and (2) by adding at the end thereof the
6 following new subsection:

7 “(b) Any Federal employee who is a member of any
8 credit union that has a common bond consisting of Federal
9 employees and members of their families shall have the
10 right to have payment on shares in the credit union made

1 by allotment from his salary in such amount and at such
2 times as the employee may from time to time request in
3 writing. The credit union shall reimburse the U.S. Gov-
4 ernment for the reasonable cost of making such allotment."

5 The Comptroller General of the United States shall issue
6 regulations to implement this authority.

7 "In this subsection, 'Federal employee' means any per-
8 son employed by any department, agency, independent estab-
9 lishment, board, office, commission, or other establishment
10 in the executive, legislative, or judicial branch of the Gov-
11 ernment, any wholly owned or controlled Government
12 corporation, and the municipal government of the District
13 of Columbia."

A BILL

To permit Federal employees to purchase shares of Federal- or State-chartered credit unions through voluntary payroll allotment.

By Mr. SPARKMAN

FEBRUARY 27, 1967

Read twice and referred to the Committee on Banking and Currency

90TH CONGRESS
1ST SESSION

H. R. 6157

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 27, 1967

Mr. PATMAN introduced the following bill; which was referred to the Committee on Banking and Currency

A BILL

To permit Federal employees to purchase shares of Federal- or State-chartered credit unions through voluntary payroll allotment.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That section 25 of the Federal Credit Union Act (12 U.S.C.
4 1770) is amended (1) by inserting “(a)” immediately
5 after “SEC. 25” and (2) by adding at the end thereof the
6 following new subsection:

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8 credit union that has a common bond consisting of Federal
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10 right to have payment on shares in the credit union made

1 by allotment from his salary in such amount and at such
2 times as the employee may from time to time request in
3 writing. The credit union shall reimburse the United States
4 Government for the reasonable cost of making such allot-
5 ment.

6 "The Comptroller General of the United States shall
7 issue regulations to implement this authority.

8 "In this subsection, 'Federal employee' means any per-
9 son employed by any department, agency, independent
10 establishment, board, office, commission, or other establish-
11 ment in the executive, legislative, or judicial branch of
12 the Government, any wholly owned or controlled Govern-
13 ment corporation, and the municipal government of the
14 District of Columbia."

90TH CONGRESS
1ST SESSION

H. R. 6157

A BILL

To permit Federal employees to purchase shares of Federal- or State-chartered credit unions through voluntary payroll allotments.

By Mr. PATMAN

FEBRUARY 27, 1967

Referred to the Committee on Banking and Currency

Oct 9, 1967

Rep. Olsen inserted an article, "House Republicans Stumble on Food-Aid Issue." pp. H13103-4

10. 4-H CLUBS. Rep. Bevill inserted an article commending the work of the 4-H Clubs. p. H13099
11. URBAN RURAL BALANCE. Rep. Morris, N. Mex., urged "Federal action behind a sane policy to attain an urban-rural balance." pp. H13096-7
12. WILDERNESS. Received a request from the President "that certain wilderness areas in California, Oregon, and Wyoming be included in the national wilderness preservation system (H. Doc. 173); to Interior and Insular Affairs Committee. p. H13110
13. LAND BANKS. Rep. Curtis spoke in support of his bill to repeal the tax exemptions of the Federal land banks. pp. H13105-6

SENATE

14. APPROPRIATIONS. Continued debate on H. R. 11641, the Public Works and Atomic Energy Commission appropriation bill and adopted all committee amendments en bloc. pp. S14457-66, S14458-74, S14477-8
15. CREDIT UNIONS. The Banking and Currency Committee reported with amendments S. 1084, to authorize Federal employees to purchase credit union shares through voluntary payroll allotment (S. Rept. 590), and S. 1085, to modernize the Federal Credit Union Act relating to the loan, investment, dividend, and reserve provisions (S. Rept. 591). p. S14427
16. FORESTRY. Sen. Morse inserted his letter to this Department and the reply to that letter regarding timber sales and supplies in the Pacific Northwest. pp. S14451-2
17. WATER POLLUTION; APPROPRIATIONS. Sen. Nelson submitted an amendment to H. R. 11641, the Public Works appropriation bill, which would appropriate the full \$450 million that Congress authorized for waste treatment works in the Clean Waters Restoration Act of 1966. pp. S14427-8
18. POVERTY. Sen. Clark defended the war-on-poverty program and expressed hope that the House would act quickly on the bill to extend and expand it. pp. S14429-30
19. ECONOMY; TAXATION. Sen. Long, La., inserted an article in support of the proposed tax increase. pp. S14430-1
Sen. Proxmire continued his opposition to the proposed tax increase and inserted several articles to support his position. pp. S14435-6, S14467
20. FLOOD INSURANCE. Sen. Byrd, W.Va., inserted a statement by Sen. Williams, N.J., in support of the proposed National Flood Insurance Act now pending before the House. p. S14438
21. WORLD FOOD SHORTAGE. Sen. McGovern inserted a speech, "Development in Worldwide Agriculture," which concludes that "the world food problem can be solved." pp. S14439-41

22. SOCIAL PLANNING. Sen. Mondale spoke in favor of his bill S. 843, the proposed Full Opportunity and Social Accounting Act, and inserted several resolutions in support of this measure. pp. Sl4444-5

23. FOREIGN AID. Sen. Lausche inserted his answer to the question, "Will the U.S. expand, lessen, or maintain at its present level the food relief that it is sending to undeveloped countries in the world?"

24. SPENDING. Sen. Proxmire commended the President for suspending public works spending and stated "he is making the reductions precisely where he should be making them, without penalizing public welfare programs or the national security." p. Sl4468

25. AIR POLLUTION. Sen. Murphy expressed disappointment at the deletion of an amendment to the proposed Air Quality Act of 1967 by the House Commerce Committee which would allow Calif. to set more advanced standards on emissions from motor vehicles, and inserted several articles from Calif. newspapers urging the inclusion of this provision of the bill. pp. Sl4474-6

26. NATIONAL PARK. A subcommittee of the Interior and Insular Affairs Committee completed work on S. 1370, to establish the Redwood National Park, Calif. p. D895

27. TAX SHARING. Received a resolution adopted by two city councils in Calif. favoring "the enactment of some form of a Federal tax-sharing program." p. Sl4427

ITEMS IN APPENDIX

28. APPALACHIA. Sen. Byrd, Va., inserted an article critical of the Appalachia program. p. A4955

29. EXPENDITURES; LIBRARIES. Extension of remarks of Rep. Teague, Calif., criticizing the granting of \$3.5 million for library research under the Higher Education Act. p. A4963

30. POVERTY. Extension of remarks of Rep. Carter stating that many people are doubtful if good effects from the poverty program outweigh the bad and inserting an article on this subject. p. A4964
Rep. Feighan inserted an editorial praising the poverty program. p. A4974

BILLS INTRODUCED

31. TEXTILE IMPORTS. H. R. 13357 by Rep. Don H. Clausen, and H. R. 13363 by Rep. Kleppe, to provide for orderly trade in textile articles; to Ways and Means Committee. Remarks of Rep. Kleppe pp. H13106-7

32. FOOD ADDITIVES. H. R. 13359 by Rep. Dellenback, to amend the Federal Food, Drug, and Cosmetic Act to include a definition of food supplements; to Interstate and Foreign Commerce Committee.

33. CREDIT. H. R. 13361 by Rep. Hanna, to assist in the promotion of economic stabilization by requiring the disclosure of finance charges in connection with extension of credit; to Banking and Currency Committee. Remarks of author pp. H13089-90

Calendar No. 572

90TH CONGRESS
1st Session }

SENATE }

REPORT
No. 590

PAYROLL DEDUCTIONS FOR FEDERAL EMPLOYEES

OCTOBER 9, 1967.—Ordered to be printed

Mr. PROXMIRE, from the Committee on Banking and Currency,
submitted the following

R E P O R T

[To accompany S. 1084]

The Committee on Banking and Currency, to which was referred the bill (S. 1084) to permit Federal employees to purchase shares of Federal- or State-chartered credit unions through voluntary payroll allotment, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

PURPOSE OF THE BILL

The purpose of S. 1084 is to permit Federal employees to save through the payroll savings plan. The bill would permit Federal employees to have up to two payroll deductions for deposit with commercial banks, savings banks, credit unions, or savings and loan associations. The bill would also permit the remainder of an employee's check to be deposited in a checking account or other savings account. The Government would be reimbursed for the additional cost of providing the payroll deductions by the financial institution receiving the deduction. The system would be administered pursuant to regulations prescribed by the Secretary of the Treasury. The bill would apply to Federal employees of the executive, legislative, and judicial branches as well as to independent regulatory commissions and Government corporations.

Under present law, the head of each department has authority to authorize payroll allotments "for such purposes as such department head deems appropriate" (5 U.S.C. 3075). Under this authority, payroll deductions have been authorized for savings bonds, contributions to the Combined Federal Campaign, union dues, and in the case of military personnel, payments for credit union shares. However, there is no uniform system for payroll deductions which applies to all

Federal employees, and in the case of most civilian employees, deductions through the payroll savings plan are not permitted except for Federal savings bonds. Under the bill recommended by the committee, the Federal Government would be required to make payroll savings deductions for deposit in banks, savings banks, savings and loan associations, and credit unions upon the written request of a Federal employee.

HISTORY OF LEGISLATION

The bill was introduced, by request, by Senator John Sparkman on February 27, 1967. As first introduced, the bill would have amended the Federal Credit Union Act (12 U.S.C. 1751) by authorizing payroll deductions only for the purchase of credit union shares. Hearings were held on the bill before the Subcommittee on Financial Institutions on July 11, 1967, under the chairmanship of Senator William Proxmire. Statements were received from the American Bankers Association, the U.S. Savings & Loan League, and the National Association of Mutual Savings Banks recommending that the payroll deduction provisions be expanded to cover payments to all savings institutions. Testimony was received from the Credit Union National Association in support of the bill and from the Bureau of Federal Credit Unions and Department of the Treasury in opposition to the bill. The Treasury opposed the bill on the grounds that it might adversely affect the sale of savings bonds to Federal employees and would unduly complicate the Federal payroll system.

COMMITTEE AMENDMENTS

The committee approved an amendment offered by Senator Proxmire to expand the scope of the bill to cover payroll deductions for savings to be deposited in banks, savings banks, savings and loan associations, or credit unions. The committee also approved a further amendment offered by Senator Bennett to authorize payroll deductions for deposit in two savings institutions. In other words, an employee might have one deduction for deposit in his savings account at a savings and loan association and another deduction for deposit with a credit union. The remainder of his check might still be sent to his checking account at a commercial bank or for deposit with another savings institution. The Government would be reimbursed for the cost of the two deductions, but the remainder of the check could be deposited with a financial institution without charge. In order to avoid disputes over which financial institution would provide reimbursement, the bill provides that if an employee elected to have his check sent to two or three financial institutions the check in the largest amount would not require reimbursement while the remaining checks would. In effect, the smaller checks would be considered to be the deductions and the larger check would be considered to be the employee's basic pay.

NEED FOR LEGISLATION

The committee believes that payroll deductions are an effective and efficient way of encouraging additional savings and will benefit our economy. The bill should facilitate the flow of funds to financial institutions, thereby easing credit conditions and removing some of the upward pressure on interest rates. To the extent the bill encourages greater thrift, it would remove funds from the direct spending stream

thereby helping to reduce inflationary pressures. Promoting greater saving can be a most effective and painless way of fighting inflation.

The committee also believes that payroll deductions will benefit the Federal Government as an employer. Many progressive employers in business and industry have payroll savings plans and these have come to be recognized as a sound employment practice. The encouragement of regular saving assures a source of funds for employees to meet emergencies or to finance large purchases. This should result in fewer employees who overextend themselves and get into financial trouble. This in turn should lead to a more productive and stable work force and fewer complaints to the Federal Government from creditors concerning Federal employees in financial difficulty.

Finally, the committee believes the bill will benefit the Federal employee. It will make it easier and more convenient for the average employee to save on a regular basis. As previously mentioned, it will tend to assure a ready source of funds and reduce financial problems. It will particularly benefit employees of moderate income, who, when financial trouble strikes, are often forced to borrow at high interest rates.

The committee is mindful of the Treasury argument that payroll deductions for other forms of savings might undercut Treasury bond sales to Federal employees. Although such a possibility exists, the committee does not believe it is likely. Many private employers authorize deductions for both Federal savings bonds and other forms of savings. For example, 80 percent of the employees of Lockheed Aircraft have credit union payroll deductions, but 99 percent have savings bond deductions.

The committee also recognizes the argument that additional deductions complicate Federal payroll operations. However, in view of the benefits to be derived by encouraging saving, and in view of the computerized nature of most Federal payroll systems, and in view of the fact that the Government would be reimbursed for the additional cost of providing the deductions, the committee feels the bill would not represent any significant burden on the Federal Government.

With respect to cost, the committee understands the Civil Service Commission has already established a standard service charge of 2 cents per individual deduction exclusive of any postage cost. The committee expects such a charge should be adequate to cover all additional costs associated with payroll savings deductions authorized under the bill.

CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

SECTION 3620 OF THE REVISED STATUTES AS AMENDED

(31 U.S.C. 492)

DISBURSING OFFICERS

(a) It shall be the duty of every disbursing officer having any public money intrusted to him for disbursement, to deposit the same

with the Treasurer or with one of the depositaries of the United States mentioned in section 476 of this title, and to draw for the same only as it may be required for payments to be made by him in pursuance of law and draw for the same only in favor of the persons to whom payment is made; and all transfers from the Treasurer of the United States to a disbursing officer shall be by draft or warrant on the Treasury. In places, however, where there is no treasurer or depositary, the Secretary of the Treasury may, when he deems it essential to the public interest, specially authorize in writing the deposit of such public money in any other public depositary, or, in writing, authorize the same to be kept in any other manner, and under such rules and regulations as he may deem most safe and effectual to facilitate the payments to public creditors.

(b) (1) Notwithstanding subsection (a) of this section or any other provision of law, and under regulations to be prescribed by the Secretary of the Treasury, the head of an agency [may] shall, upon the written request of [a person] *an employee of the agency* to whom a payment *for wages or salary* is to be made, authorize a disbursing officer to make the payment [—(1)] *in the form of one, two, or three checks (the number of checks and the amount of each, if more than one, to be designated by such employee)* by sending to [the] each financial organization designated by [that person] *such employee* a check that is drawn in favor of [that] *the organization and is for credit to the checking account of [that person; or]* *such employee or is for the deposit of savings or purchase of shares for such employee:* Provided, that the agency shall not be reimbursed for the cost of sending one check requested by such employee but shall be reimbursed for the additional cost of sending any additional check requested by such employee by the financial organization to which such check is sent. For the purposes of the foregoing proviso, the check for which the agency shall not be reimbursed shall be the check in the largest amount.

(2) [if] If more than one [person] *employee* to whom a payment is to be made designates the same financial organization, *the head of an agency may, upon the written request of such employee and under regulations to be prescribed by the Secretary of the Treasury, authorize a disbursing officer to make the payment by sending to the organization a check that is drawn in favor of the organization for the total amount [due] designated by those [persons] employees and by specifying the amount to be credited to the account of each of those [persons] employees.*

(3) In this subsection, the term "agency" means any department, agency, independent establishment, board, office, commission, or other establishment in the executive, legislative, or judicial branch [.] of the Government, any wholly owned or controlled Government corporation, and the municipal government of the District of Columbia; and the term "financial organization" means any bank, savings bank, savings and loan association or similar institution, or Federal or State chartered credit union.

(c) Payment by the United States [of a] *in the form of more than one check, drawn in accordance with subsection (b) and properly endorsed, shall constitute a full acquittance for the amount due to the [person] employee requesting payment.*

Calendar No. 572

90TH CONGRESS
1ST SESSION

S. 1084

[Report No. 590]

IN THE SENATE OF THE UNITED STATES

FEBRUARY 27, 1967

Mr. SPARKMAN (by request) introduced the following bill; which was read twice and referred to the Committee on Banking and Currency

OCTOBER 9, 1967

Reported by Mr. PROXIMIRE, with amendments

[Strike out all after the enacting clause and insert the part printed in italic]

A BILL

To permit Federal employees to purchase shares of Federal- or State-chartered credit unions through voluntary payroll allotment.

- 1 *Be it enacted by the Senate and House of Representa-*
- 2 *tives of the United States of America in Congress assembled,*
- 3 *That section 25 of the Federal Credit Union Act (12 U.S.C.*
- 4 *1770) is amended (1) by inserting "(a)" immediately*
- 5 *after "Sec. 25" and (2) by adding at the end thereof the*
- 6 *following new subsection:*
- 7 *"(b) Any Federal employee who is a member of any*
- 8 *credit union that has a common bond consisting of Federal*

1 employees and members of their families shall have the
2 right to have payment on shares in the credit union made
3 by allotment from his salary in such amount and at such
4 times as the employee may from time to time request in
5 writing. The credit union shall reimburse the U.S. Gov-
6 ernment for the reasonable cost of making such allotment."

7 The Comptroller General of the United States shall issue
8 regulations to implement this authority.

9 "In this subsection, 'Federal employee' means any per-
10 son employed by any department, agency, independent estab-
11 lishment, board, office, commission, or other establishment
12 in the executive, legislative, or judicial branch of the Gov-
13 ernment, and wholly owned or controlled Government cor-
14 poration, and the municipal government of the District of
15 Columbia."

16 *That subsections (b) and (c) of section 3620 of the Revised
17 Statutes, as amended (31 U.S.C. 492), are amended to read
18 as follows:*

19 "(b)(1) Notwithstanding subsection (a) of this section
20 or any other provision of law, and under regulations to be
21 prescribed by the Secretary of the Treasury, the head of an
22 agency shall, upon the written request of an employee of the
23 agency to whom a payment for wages or salary is to be made,
24 authorize a disbursing officer to make the payment in the
25 form of one, two, or three checks (the number of checks and

1 the amount of each, if more than one, to be designated by
2 such employee) by sending to each financial organization des-
3 gnated by such employee a check that is drawn in favor of
4 the organization and is for credit to the checking account of
5 such employee or is for the deposit of savings or purchase of
6 shares for such employee: Provided, That the agency shall
7 not be reimbursed for the cost of sending one check requested
8 by such employee but shall be reimbursed for the additional
9 cost of sending any additional check requested by such em-
10 ployee by the financial organization to which such check is
11 sent. For the purposes of the foregoing proviso, the check for
12 which the agency shall not be reimbursed shall be the check in
13 the largest amount.

14 “(2) If more than one employee to whom a payment
15 is to be made designates the same financial organization, the
16 head of an agency may, upon the written request of such
17 employee and under regulations to be prescribed by the
18 Secretary of the Treasury, authorize a disbursing officer
19 to make the payment by sending to the organization a check
20 that is drawn in favor of the organization for the total
21 amount designated by those employees and by specifying
22 the amount to be credited to the account of each of those
23 employees.

24 “(3) In this subsection, the term ‘agency’ means any
25 department, agency, independent establishment, board, office,

1 commission, or other establishment in the executive, legis-
2 lative, or judicial branch of the Government, any wholly
3 owned or controlled Government corporation, and the munici-
4 pal government of the District of Columbia; and the term
5 'financial organization' means any bank, savings bank,
6 savings and loan association or similar institution, or Federal
7 or State chartered credit union.

8 "(c) Payment by the United States in the form of
9 more than one check, drawn in accordance with subsection
10 (b) and properly endorsed, shall constitute a full acquit-
11 tance for the amount due to the employee requesting payment."

Amend the title so as to read: "A bill to amend section 3620 of the Revised Statutes with respect to payroll deductions for Federal employees."

90TH CONGRESS
1ST SESSION

S. 1084

[Report No. 590]

A BILL

To permit Federal employees to purchase shares of Federal- or State-chartered credit unions through voluntary payroll allotment.

By Mr. SPARKMAN

FEBRUARY 27, 1967

Read twice and referred to the Committee on Banking and Currency

OCTOBER 9, 1967

Reported with amendments

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U. S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
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NOT TO BE QUOTED OR CITED)

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For actions of Oct. 11, 1967
90th-1st; No. 163

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HIGHLIGHTS: House passed pay bill.

SENATE

1. APPROPRIATIONS. Passed with amendments H. R. 10345, the Departments of State, Justice, and Commerce, the Judiciary, and related agencies appropriation bill, and conferees were appointed. House conferees have not been appointed. pp. S14599-626
2. CREDIT UNIONS. Passed as reported S. 1084, to permit Federal employees to purchase credit union shares through voluntary payroll allotments, and S. 1085, to modernize the Federal Credit Union Act relating to the loan, investment, dividend, and reserve provisions. pp. S14595-9
3. COMMITTEE VETO. Sen. Ervin inserted several statements made during hearings on the "committee veto" which he said is "a highly controversial form of congressional review and oversight of the administration of the laws by the executive branch." pp. S14671-81

4. RURAL DEVELOPMENT. Sen. Monroney urged the enactment of a rural development program and inserted a speech by the Vice-President on this subject. pp. S14698-9

5. EMERGENCY FOOD. Sen. Javits recommended the enactment of an emergency food aid bill and commended the efforts now being made to add this legislation to the antipoverty bill. p. S14641

6. COOPERATIVES. Sen. Javits commended the work of farmer cooperatives on the celebration of National Co-Op Month during October. pp. S14640-1

7. POLLUTION. Sen. Griffin spoke in favor of S. 1341, to broaden the Federal role in lake pollution abatement. He said, "The legislation would authorize \$5 million to develop, through local and regional programs, improved methods for the prevention and removal of pollutants from small lakes." pp. S14644-5
Sen. Hartke urged that more attention be given to the control of pollution in Lake Michigan and called on the agencies involved to set priorities in an effort to clear up confusion in this area. pp. S14682-3
A subcommittee of the Public Works Committee completed work on S. 1341, to authorize grants to States for programs to control pollution in lakes; and S. 1870, to authorize funds for assisting in programs to eliminate acid pollution in streams. p. D908

8. RECREATION. Sen. Yarborough spoke in favor of his bill, S. 4, to establish the Big Thicket National Park, and inserted an article in support of this measure. pp. S14660-1

9. RESEARCH. Sen. Baker spoke in favor of S. Res. 68, to establish a Select Committee on Technology and the Human Environment, and inserted numerous letters in support of this measure. pp. S14661-71

10. MINING CLAIMS. The Interior and Insular Affairs Committee reported with amendment S. 2121, to extend the period for relief of occupants of certain unpatented mining claims (S. Rept. 593). p. S14627

11. GARDEN PLANTING WEEK. The Judiciary Committee reported without amendment S. J. Res. 85, to authorize the President to designate the first full week in October of each year as "Spring Garden Planting Week" (S. Rept. 608). p. S14627

12. COPYRIGHTS. The Judiciary Committee reported with amendment S. 2216, to establish a National Commission on New Technological Uses of Copyrighted Works (S. Rept. 640). p. S14627

HOUSE

13. PAY; POSTAL RATES. Passed, 318-89, with amendments H. R. 7977, the postal rates and pay increase bill. pp. H13217-278, H13309-10
Agreed to the following amendments:
By Rep. Udall, to offer "some of the classified people premium pay for duties incurred in a travel status." pp. H13246-7
By Rep. Corbett, to require "each department and agency of the executive branch, with the exception of the postal field service, to absorb the full cost of the pay raises provided in the bill for fiscal 1968 that are in excess of the amounts contained in the fiscal 1968 budget." p. H13260

Please return to

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Congressional Record

PROCEEDINGS AND DEBATES OF THE 90th CONGRESS, FIRST SESSION

Vol. 113

WASHINGTON, WEDNESDAY, OCTOBER 11, 1967

No. 163

Senate

(Legislative day of Tuesday, October 10, 1967)

The Senate met at 11 a.m., on the expiration of the recess, and was called to order by the President pro tempore.

The Chaplain, Rev. Frederick Brown Harris, D.D., offered the following prayer:

Our Father, God, again we turn to this wayside altar of prayer; but we come, not that we should commune with Thee only at this particular time and place, but to so open our lives to Thee that Thou wilt be the companioning presence of every hour, facing with us what we face, going with us where we go, sustaining, guiding, correcting, empowering, until our brief day's work is done.

Our Father, we cannot adequately face such a world and make our humble contribution to the healing of its open sores unless we keep untarnished our faith in Thy power to make even the wrath of man praise Thee, and in the ultimate victory of Thy purpose—

Lord, in this hour of tumult;
Lord, in this night of fears,
Keep open, O keep open,
Our eyes, our hearts, our ears.

In the dear Redeemer's name we pray.
Amen.

THE JOURNAL

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Journal of the proceedings of Tuesday, October 10, 1967, be approved.

The PRESIDENT pro tempore. Without objection, it is so ordered.

DEPARTMENTS OF STATE, JUSTICE, AND COMMERCE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS, 1968

The PRESIDENT pro tempore. The Chair lays before the Senate the unfinished business, which the clerk will state by title.

The LEGISLATIVE CLERK. A bill (H.R. 10345) making appropriations for the Departments of State, Justice, and Commerce, the judiciary, and related agencies for the fiscal year ending June 30, 1968, and for other purposes.

The Senate resumed the consideration of the bill.

The PRESIDENT pro tempore. Under the order entered yesterday, debate on the pending motion of the Senator from Illinois is limited to 2 hours, the time equally divided between the Senator from Illinois [Mr. DIRKSEN] and the Senator from Wisconsin [Mr. PROXMIRE].

The Chair recognizes the Senator from Illinois.

Mr. MANSFIELD. Mr. President, will the Senator from Illinois yield to me 1 minute?

Mr. DIRKSEN. I yield.

EXECUTIVE SESSION

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate go into executive session to consider the nomination on the Executive Calendar.

The PRESIDENT pro tempore. Without objection, it is so ordered.

NATIONAL TRANSPORTATION SAFETY BOARD

The legislative clerk read the nomination of Francis H. McAdams, of the District of Columbia, to be a member of the National Transportation Safety Board.

The PRESIDENT pro tempore. Without objection, the nomination is considered and confirmed.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the President be immediately notified of the confirmation of this nomination.

The PRESIDENT pro tempore. Without objection, it is so ordered.

LEGISLATIVE SESSION

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate resume the consideration of legislative business.

The PRESIDENT pro tempore. Without objection, it is so ordered.

CREDIT UNIONS

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendars Nos. 572 and 573, S. 1084 and S. 1085, in that order.

The PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. PROXMIRE. Mr. President, on Monday, October 9, the Committee on Banking and Currency reported favorably on S. 1084 and S. 1085.

S. 1084 would authorize payroll deductions for Federal employees. As originally introduced the bill would have authorized payroll deductions for deposit in credit unions. However, during the course of the hearings it became evident that there is no valid grounds for discriminating between credit unions and other financial institutions, such as savings and loan associations, banks, or mutual savings banks. I, therefore, introduced an amendment which was approved by the committee to broaden the scope of the bill to cover all financial institutions.

Senator BENNETT, the ranking Republican member, has been extremely helpful in developing this legislation. Senator BENNETT offered an amendment in committee which made it possible for Federal employees to have two payroll deductions for savings instead of one. This means an employee could send a portion of his check perhaps to a credit union, a second portion to a savings and loan association, and deposit the remainder in his checking account.

I believe the experience in private industry has confirmed the benefits of the payroll savings plan. Most progressive employers permit employees to save regularly through automatic payroll deductions. This benefits the employer since fewer employees get into financial difficulties if they save regularly. As a result, the employer has a more productive and stable work force and receives fewer complaints from creditors seeking to collect bills from employees.

The bill also will benefit the Federal employees to insure a ready source of cash to meet financial emergencies or to finance unusual expenditures. Hopefully, this will reduce the cost of borrowing for thousands of Federal employees who when financial trouble strikes, are forced to borrow money at high rates of interest.

The bill will also benefit the national economy by encouraging thrift and savings thereby easing some of the possibilities of inflationary pressures.

Mr. President, I urge the Senate to adopt S. 1084. I believe it is in the best interest of the Federal Government, it is in the best interest of the Federal employees, and in the best interest of our national economy.

Mr. President, the Banking and Currency Committee also reported S. 1085 to modernize Federal credit union operations. The bill would permit three significant improvements in existing Federal credit union procedures.

First of all, the bill would permit Federal credit unions to delegate a loan officer the authority to approve loans. At the present time, loan officers can approve unsecured loans under \$750 or other loans secured entirely by shares. However, all other loans must be approved by the credit committee. Since the credit committee consists of unpaid volunteers and since it is difficult for the credit committee to assemble on short notice, it has been difficult to meet the rising volume of loan applications. The ability to delegate loan approval authority to a loan officer will speed up the processing of loans and will enable the credit union to serve its members more effectively.

Second, the bill would permit credit unions to pay dividends on a quarterly basis as opposed to the present law, which only permits semiannual dividends. This provision is designed to bring credit unions up to date and in accord with the practices of other financial institutions. The payment of quarterly dividends will permit credit unions to continue to compete for savings, thereby sharing a source of low cost credit for their members.

Three, the bill permits credit unions to apply a full month's dividend credit to funds received during the first 10 days of the month. The present law permits such credit only for funds received during the first 5 days of the month. Once again, the change is necessary to bring credit unions up-to-date in order to match the practices of other financial institutions. This will assist the average credit union to continue to attract funds so that it can provide its members with the credit they need.

Mr. President, I recommend the adoption of S. 1084 and S. 1085. These bills were approved unanimously by the committee. I believe they will go a long way in modernizing Federal credit unions and encouraging savings and thrift on the part of Federal employees.

Mr. President, when hearings were held on S. 1084 we heard testimony from representatives of the executive branch. At that time, the committee did not explore the effect of the bill upon the payroll operations in the House and the Senate. Although the bill would apply to House and Senate employees as well as all other Federal employees. It has recently come to my attention that the payroll procedures of the House and Senate may be unique and contain problems not experienced by any other governmental agency. For example, the House and Senate disbursing offices are required to send checks to the employees in all 50 States. These in turn are scattered through many congressional districts. By way of contrast, most executive

branch payroll operations are concentrated in a single area. Since this special problem was not considered in committee, I am hopeful that the House committee will give special attention to it.

The House hearings may develop the need for special procedures for application to the payroll operations of the House and the Senate. Should this develop, I believe the Senate would be willing to reconsider its position and to support such a recommended change. However, since the question of the House and Senate payroll operations came up after hearings had been concluded, I believe the best course of action would be for the Senate to enact this measure with the understanding that the House will look into the special question of its applicability to House and Senate employees.

Mr. BENNETT. Mr. President, I feel that the two bills, S. 1084 and S. 1085, just explained by the Senator from Wisconsin, should be approved by the Senate. These proposals were reported without opposition by the Banking and Currency Committee.

The primary purpose of S. 1084 is to encourage Federal employees to develop the habit of regularly saving a part of their earnings. The bill as introduced would have provided the opportunity for Federal employees at their discretion to have a deduction from their earnings for the purpose of purchasing credit union shares. Other financial institutions recommended that if the authorization was given to make deductions for credit union shares, it would be only appropriate that a similar authorization be given for deductions to their institutions. Present law authorizes payroll allotments for such purposes as Department heads throughout the Federal Government deem appropriate. Under this authorization, deductions have been made for union dues, charitable purposes, savings bonds, and in the case of those in the military service, for credit union shares. These deductions, however, are at the discretion of the Department head, and because of Treasury opposition, Department heads have been very restrictive.

Treasury opposition is not without merit. Each additional deduction adds to payroll costs and to an increase in Federal expenditures. The Treasury also testified that deductions for various types of savings deposits or accounts could have a deleterious effect on purchases of savings bonds by Federal employees. A further reason for opposition was that next to taxes, savings bonds are the most noninflationary way to finance Government expenditures because savings in other forms are eventually reflected in additional spending. Despite these objections, the bill on balance should be approved.

We have provided in the bill that the Treasury would be reimbursed for any additional expenses incurred in making the deductions authorized.

I am sure that it was the intent of the committee that the Treasury not incur additional expenses as a result of the deductions authorized in this proposal. As the committee report indicates, the Civil Service Commission has established

a standard service charge of 2 cents per individual deduction exclusive of any postage costs. The view was expressed that this would be adequate but since we have had no experience on which to base such a charge in a situation where employees may at their pleasure alter deductions, 2 cents per deduction may not prove to be adequate. If it is not we would expect an adequate figure to be established.

Second, the committee was not convinced that permitting deductions for other types of savings than savings bonds would result in a decline in the purchase of savings bonds by Federal employees. Even if it did, it would simply reflect the determination of employees that they preferred to put their savings in some other form than savings bonds. Given an equal opportunity for deductions, it may prove that the higher rates paid by other competitors for savings will draw some of the funds which now are going into savings bonds. Since the sale of savings bonds to individuals is an inefficient method for the Treasury to obtain the funds it needs anyway, I am not disturbed by this possibility, and I am of the opinion that employees should have equal access to other methods of saving through payroll deductions. I can see no reason for private financial intermediaries being held at a competitive convenience disadvantage to the Federal Government in their efforts to attract savings. If the Federal Government must compete with private institutions for the saver's dollars, let it do so on an equal basis. The Treasury Department has supported truth in lending. It should be equally as important to support truth in saving.

It was for this reason that I suggested that two deductions, in addition to the major portion of the paycheck, be permitted and that these two could be sent to any combination of institutions requested by the employee. This means that a person, if he so requested, could have as many as three checks sent in any combination he chooses to commercial banks, savings and loan institutions, savings banks, or credit unions. Since the Federal Government is already bearing the cost of one check, the bill requires only that the cost of providing two additional checks, if they are requested by an employee, be reimbursed. The reimbursement is made by the financial institution receiving the check. In order that there would be no controversy over which of the checks would require reimbursement, the smaller check or checks would be considered to be the deductions and the larger check would not require reimbursement.

The third Treasury argument regarding the deflationary effect of savings bond purchases, as opposed to other types of savings, is not too significant in relation to the situation which we now face of a possible \$30 billion deficit in the Federal budget. Savings bond purchases are not considered an effective anti-inflationary tool.

It is my hope that this legislation will encourage saving and reduce inflationary pressures in our economy. By making it equally as convenient to save at any de-

sired institution, it should encourage competition and result in the saver being paid the highest return for his dollar.

The matter of the application of this proposal to the legislative branch of the Federal Government, mentioned by the Senator from Wisconsin, has also brought to my attention, and I agree that if there is any undue hardship presented by the bill because of unique payroll handling responsibilities of the House and Senate Disbursing Offices, we should certainly be willing to adjust to those unique differences. I, too, expect that the House would go into this matter, which was not brought before our committee.

S. 1085, which was also reported without objection, permits credit unions to operate in a more efficient manner and more in line with the practices of other institutions with which they compete for savings.

I am not convinced that the credit committee of a credit union should be required to approve all unsecured loans above \$750, as is now the law. If the credit committee desires to make all such decisions, that is fine, but if it does not, it seems to me that a qualified loan officer should be able to handle such requests.

Quarterly dividends are issued by other financial institutions, and I am aware of no reason why credit unions should not also be allowed the same privilege if they determine it will be in their interest in better serving their members.

The third provision in this bill is to allow funds received any time during the first 10 days of a month to be considered as received on the first for dividend purposes. This also is a competitive practice used by other institutions, and no reasons have been advanced that it should be denied to credit unions.

Other parts of the original bill have been deleted by the committee on the basis that further study is necessary before a rational decision can be made as to their desirability and effect on credit union operations.

I support both of these bills, S. 1084 and S. 1085, and recommend that they be approved by the Senate.

Mr. SPARKMAN. Mr. President, I am pleased to support S. 1084 and S. 1085 reported by the Banking and Currency Committee on Monday, October 9.

S. 1084 would authorize automatic payroll deductions for Federal employees. At the present time, Federal employees can save through the payroll savings plan, however, under the rules established by the Civil Service Commission such savings may only be in the form of U.S. savings bonds. I have been a strong supporter of the savings bonds program; but, I also feel that Federal employees should have a wide variety of savings opportunities.

The Federal Government now authorizes savings deductions for the United Givers Fund and for union dues in addition to deductions for savings bonds. If deductions for union dues are to be allowed, I see no reason why similar deductions for shares in a credit union should not be permitted.

I believe this bill will be helpful in encouraging thrift on the part of Federal

employees. I am hopeful that it will stimulate increased savings thereby easing somewhat the upward pressure on interest rates.

S. 1085 would make a number of improvements in existing credit union procedures. In 1959 I sponsored legislation to modernize credit union operations and permit the limited delegation of loan approval authority to loan officers. The 1959 legislation also authorized the payment of semiannual dividends and the crediting of funds for dividend purposes received during the first 5 days of the month.

Since 1959 a number of changes have been experienced by financial institutions and the need for further modernization is apparent. S. 1085 builds upon the legislation I introduced in 1959 and permits credit unions to operate effectively in today's competitive market.

First of all it would speed up the processing of loans by permitting credit committees to delegate additional authority to loan officers.

Second, it would authorize the payment of quarterly dividends and,

Third, it would credit savings received by the 10th of the month. All these changes will streamline Federal credit union procedures and permit credit unions to compete effectively in today's market.

These bills have been reported unanimously by the Banking and Currency Committee. Senator PROXMIRE, the chairman of the Subcommittee on Financial Institutions, held hearings on the bills last July. Senator PROXMIRE and Senator BENNETT, the ranking Republican member of the committee, worked most closely on this legislation. I believe we have recommended legislation that should meet with the approval of every Member of the Senate. I urge the Senate to act favorably on S. 1084 and S. 1085.

PURCHASE OF SHARES OF FEDERAL-OR STATE-CHARTERED CREDIT UNIONS THROUGH PAYROLL ALLOTMENT BY FEDERAL EMPLOYEES

The Senate proceeded to consider the bill (S. 1084) to permit Federal employees to purchase shares of Federal- or State-chartered credit unions through voluntary payroll allotment which had been reported from the Committee on Banking and Currency with an amendment to strike out all after the enacting clause and insert:

That subsection (b) and (c) of section 3620 of the Revised Statutes, as amended (31 U.S.C. 492), are amended to read as follows:

"(b)(1) Notwithstanding subsection (a) of this section or any other provision of law, and under regulations to be prescribed by the Secretary of the Treasury, the head of an agency shall, upon the written request of an employee of the agency to whom a payment for wages or salary is to be made, authorize a disbursing officer to make the payment in the form of one, two, or three checks (the number of checks and the amount of each, if more than one, to be designated by such employee) by sending to each financial organization designated by such employee a check that is drawn in favor of the organization and is for credit to

the checking account of such employee or is for the deposit of savings or purchase of shares for such employee: *Provided*, That the agency shall not be reimbursed for the cost of sending one check requested by such employee but shall be reimbursed for the additional cost of sending any additional check requested by such employee by the financial organization to which such check is sent. For the purposes of the foregoing proviso, the check for which the agency shall not be reimbursed shall be the check in the largest amount.

"(2) If more than one employee to whom a payment is to be made designates the same financial organization, the head of an agency may, upon the written request of such employee and under regulations to be prescribed by the Secretary of the Treasury, authorize a disbursing officer to make the payment by sending to the organization a check that is drawn in favor of the organization for the total amount designated by those employees and by specifying the amount to be credited to the account of each of those employees.

"(3) In this subsection, the term 'agency' means any department, agency, independent establishment, board, office, commission, or other establishment in the executive, legislative, or judicial branch of the Government, any wholly owned or controlled Government corporation, and the municipal government of the District of Columbia; and the term 'financial organization' means any bank, savings bank, savings and loan association or similar institution, or Federal or State chartered credit union.

"(c) Payment by the United States in the form of more than one check, drawn in accordance with subsection (b) and properly endorsed, shall constitute a full acquittance for the amount due to the employee requesting payment."

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, was read the third time, and passed.

Mr. MANSFIELD. Mr. President, I ask unanimous consent to have printed in the RECORD an excerpt from the report (No. 590), explaining the purposes of the bill.

There being no objection, the excerpt was ordered to be printed in the RECORD, as follows:

PURPOSE OF THE BILL

The purpose of S. 1084 is to permit Federal employees to save through the payroll savings plan. The bill would permit Federal employees to have up to two payroll deductions for deposit with commercial banks, savings banks, credit unions, or savings and loan associations. The bill would also permit the remainder of an employee's check to be deposited in a checking account or other savings account. The Government would be reimbursed for the additional cost of providing the payroll deductions by the financial institution receiving the deduction. The system would be administered pursuant to regulations prescribed by the Secretary of the Treasury. The bill would apply to Federal employees of the executive, legislative, and judicial branches as well as to independent regulatory commissions and Government corporations.

Under present law, the head of each department has authority to authorize payroll allotments "for such purposes as such department head deems appropriate" (5 U.S.C. 3075). Under this authority, payroll deductions have been authorized for savings bonds, contributions to the Combined Federal Campaign, union dues, and in the case of military personnel, payments for credit union shares. However, there is no uniform system for payroll deductions which applies to all Federal employees, and in the case of

most civilian employees, deductions through the payroll savings plan are not permitted except for Federal savings bonds. Under the bill recommended by the committee, the Federal Government would be required to make payroll savings deductions for deposit in banks, savings banks, savings and loan associations, and credit unions upon the written request of a Federal employee.

HISTORY OF LEGISLATION

The bill was introduced, by request, by Senator John Sparkman on February 27, 1967. As first introduced, the bill would have amended the Federal Credit Union Act (12 U.S.C. 1751) by authorizing payroll deductions only for the purchase of credit union shares. Hearings were held on the bill before the Subcommittee on Financial Institutions on July 11, 1967, under the chairmanship of Senator William Proxmire. Statements were received from the American Bankers Association, the U.S. Savings & Loan League, and the National Association of Mutual Savings Banks recommending that the payroll deduction provisions be expanded to cover payments to all savings institutions. Testimony was received from the Credit Union National Association in support of the bill and from the Bureau of Federal Credit Unions and Department of the Treasury in opposition to the bill. The Treasury opposed the bill on the grounds that it might adversely affect the sale of savings bonds to Federal employees and would unduly complicate the Federal payroll system.

COMMITTEE AMENDMENTS

The committee approved an amendment offered by Senator Proxmire to expand the scope of the bill to cover payroll deductions for savings to be deposited in banks, savings banks, savings and loan associations, or credit unions. The committee also approved a further amendment offered by Senator Bennett to authorize payroll deductions for deposit in two savings institutions. In other words, an employee might have one deduction for deposit in his savings account at a savings and loan association and another deduction for deposit with a credit union. The remainder of his check might still be sent to his checking account at a commercial bank or for deposit with another savings institution. The Government would be reimbursed for the cost of the two deductions, but the remainder of the check could be deposited with a financial institution without charge. In order to avoid disputes over which financial institution would provide reimbursement, the bill provides that if an employee elected to have his check sent to two or three financial institutions the check in the largest amount would not require reimbursement while the remaining checks would. In effect, the smaller checks would be considered to be the deductions and the larger check would be considered to be the employee's basic pay.

NEED FOR LEGISLATION

The committee believes that payroll deductions are an effective and efficient way of encouraging additional savings and will benefit our economy. The bill should facilitate the flow of funds to financial institutions, thereby easing credit conditions and removing some of the upward pressure on interest rates. To the extent the bill encourages greater thrift, it would remove funds from the direct spending stream thereby helping to reduce inflationary pressures. Promoting greater saving can be a most effective and painless way of fighting inflation.

The committee also believes that payroll deductions will benefit the Federal Government as an employer. Many progressive employers in business and industry have payroll savings plans and these have come to be recognized as a sound employment practice. The encouragement of regular saving assures a source of funds for employees to meet emergencies or to finance large purchases.

This should result in fewer employees who overextend themselves and get into financial trouble. This in turn should lead to a more productive and stable work force and fewer complaints to the Federal Government from creditors concerning Federal employees in financial difficulty.

Finally, the committee believes the bill will benefit the Federal employee. It will make it easier and more convenient for the average employee to save on a regular basis. As previously mentioned, it will tend to assure a ready source of funds and reduce financial problems. It will particularly benefit employees of moderate income, who, when financial trouble strikes, are often forced to borrow at high interest rates.

The committee is mindful of the Treasury argument that payroll deductions for other forms of savings might undercut Treasury bond sales to Federal employees. Although such a possibility exists, the committee does not believe it is likely. Many private employers authorize deductions for both Federal savings bonds and other forms of savings. For example, 80 percent of the employees of Lockheed Aircraft have credit union payroll deductions, but 99 percent have savings bond deductions.

The committee also recognizes the argument that additional deductions complicate Federal payroll operations. However, in view of the benefits to be derived by encouraging saving, and in view of the computerized nature of most Federal payroll systems, and in view of the fact that the Government would be reimbursed for the additional cost of providing the deductions, the committee feels the bill would not represent any significant burden on the Federal Government.

With respect to cost, the committee understands the Civil Service Commission has already established a standard service charge of 2 cents per individual deduction exclusive of any postage cost. The committee expects such a charge should be adequate to cover all additional costs associated with payroll savings deductions authorized under the bill.

The title was amended so as to read: "A bill to amend section 3620 of the Revised Statutes with respect to payroll deductions for Federal employees."

AMENDMENT OF THE FEDERAL CREDIT UNION ACT

The Senate proceeded to consider the bill (S. 1085) to amend the Federal Credit Union Act to modernize the loan, investment, dividend, and reserve provisions; to require the establishment of an education committee; and for other purposes which had been reported from the Committee on Banking and Currency, with an amendment, strike out all after the enacting clause and insert:

That the third sentence of section 15 of the Federal Credit Union Act (12 U.S.C. 1761c.) is amended by striking out "up to the unsecured limit, or in excess of such limit if such excess is fully secured by unpledged shares".

SEC. 2. Section 18 of the Federal Credit Union Act (12 U.S.C. 1763) is amended—

(1) by striking out "Annually or semi-annually" and inserting in lieu thereof "Annually, semiannually, or quarterly"; and

(2) by striking out "five" in the last sentence and inserting in lieu thereof "ten".

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, was read the third time, and passed.

Mr. MANSFIELD. Mr. President, I ask unanimous consent to have printed in

the RECORD an excerpt from the report (No. 591), explaining the purposes of the bill.

There being no objection, the excerpt was ordered to be printed in the RECORD, as follows:

PURPOSE OF THE BILL

The purpose of S. 1085 is to modernize Federal credit union procedures to accord with present day lending practices. The bill would improve Federal credit union procedures in three ways:

1. The credit committee of Federal credit unions would have unlimited authority to delegate lending authority to a loan officer. Under present law only \$750 in lending authority can be delegated if the loan is not secured by shares.

2. Federal credit unions could pay dividends quarterly in lieu of twice a year as permitted by existing law.

3. Federal credit unions could credit funds received during the first 10 days of a month for the entire month in computing dividends. Present law restricts such computations to dividends received during the first 5 days of the month.

HISTORY OF LEGISLATION

The bill was introduced, by request, by Senator John Sparkman on February 27, 1967. Hearings were held before the Subcommittee on Financial Institutions on July 11, 1967, under the chairmanship of Senator William Proxmire. Testimony was received from the Credit Union National Association and the Bureau of Federal Credit Unions.

NEED FOR LEGISLATION

The committee recommends three changes in the Federal Credit Union Act (12 U.S.C. 1751) to modernize its present operations.

First, the committee recommends that the credit committee of a Federal credit union be given authority to delegate any of its loan approval authority to a loan officer. The original Federal Credit Union Act required all loans to be approved by the credit committee. In 1959, Congress approved an amendment authorizing the credit committee to delegate loan approval authority to a loan officer in the amount of \$750 for an unsecured loan and in an unlimited amount for loans secured by shares. However, loans over \$750 secured by other than shares must be approved by the credit committee.

The reason for recommending a further change is to reduce the overwhelming burden placed upon credit committees who must handle a large and continually increasing volume of loan activity. The credit committee is made up of volunteer members who are not compensated and who have often found it difficult to meet frequently on short notice. The change will thus speed up the processing of loans and enable credit unions to serve their members more efficiently. However, the authority to delegate loan approval authority to a loan officer is purely discretionary. A credit committee could retain some or all of its present approval functions if it so desired.

Second, the committee recommends Federal credit unions be given the authority to pay quarterly dividends in lieu of present law which only permit semiannual dividends. Prior to 1959, credit union dividends could only be paid annually. In 1959, Congress authorized semiannual dividends. Quarterly dividends will make it possible for Federal credit unions to continue to compete for savings in today's market. Quarterly dividends have attained widespread acceptance by other financial institutions. The committee believes credit unions should have the same ability to compete for savings in order to continue as a source of credit for their members.

Third, the committee recommends that Federal credit unions be permitted to apply

a full month's dividend credit to funds received during the first 10 days of the month. The present law, which was approved by Congress in 1959, permits such credit only for funds received in the first 5 days. Once again, the necessity for a change is dictated by modern day practices of other financial institutions. Many other savings institutions provide a 10-day dividend credit and some even have a 20-day credit. If credit unions cannot compete in today's market, they will suffer a drop in their savings inflow and be unable to provide low-cost credit to their members, which of course is the purpose for which they were originally chartered.

COMMITTEE AMENDMENTS

The committee deleted a number of provisions from the bill which were opposed by the Bureau of Federal Credit Unions. These included—

(1) A provision to permit Federal credit unions to invest up to 25 percent of their regular reserve in a credit-union-controlled organization which would use such funds for "establishing and maintaining the liquidity, solvency, and security of credit unions." Since such an organization would have been tantamount to a central bank for credit unions, the committee felt this matter deserved further study.

(2) A provision which would permit Federal credit unions to purchase the notes of members of liquidating credit unions. The Bureau of Federal Credit Unions felt this provision could put credit unions in a new and unfamiliar business. The committee agreed to defer the matter.

(3) A provision requiring Federal credit unions to establish an education committee. Since many credit unions have voluntarily established an education committee and since many credit union members questioned the advisability of a mandatory committee, the Credit Union National Association recommended this provision be deleted from the bill. The committee agreed.

(4) A provision reducing required reserves from 10 percent of shares to 7 percent of loans. The Bureau of Federal Credit Unions is conducting a study of credit union reserves and requested that the item be deferred until the study is completed. The committee agreed.

The title was amended so as to read: "A bill to amend the Federal Credit Union Act to modernize the loan and dividend provisions."

DEPARTMENTS OF STATE, JUSTICE, AND COMMERCE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS, 1968

The Senate resumed the consideration of the bill (H.R. 10345) making appropriations for the Departments of State, Justice, and Commerce, the judiciary, and related agencies for the fiscal year ending June 30, 1968, and for other purposes.

The PRESIDING OFFICER (Mr. BYRD of Virginia in the chair). Who yields time?

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum, with the time to be taken equally from both sides. I withhold that request.

Mr. PROXMIRE. Mr. President, I would prefer, under the circumstances, to preserve the time that we have.

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum, with the time not to be charged to either side.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it

is so ordered. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. PROXMIRE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. PROXMIRE. Mr. President, I yield 10 minutes to the distinguished Senator from Ohio [Mr. YOUNG].

Mr. YOUNG of Ohio. Mr. President, very definitely I am opposed to communism, just as I am opposed to fascism and all forms of totalitarianism. Communists govern by decree. Likewise, Fascists, such as Franco in Spain and those generals and colonels who overthrew the constitutional government in Greece, govern by decree. I am as bitterly opposed to Communists and communism as any Senator. Unfortunately, there now seem to be a resurgence of witch hunting in this country. Some of its momentum may have afflicted the Senate. We again behold attempts by some people to play God with their neighbors' patriotism. We again hear talk about a Communist apparatus infiltrating our Government, the clergy, and our universities. They would be hard put to name even one Communist or Communist sympathizer in the State Department, on the faculty of any university, or in the clergy.

I support the proposal of the distinguished senior Senator from Wisconsin [Mr. PROXMIRE] to abolish the Subversive Activities Control Board, which has not had a meeting in nearly 2 years. The principal, if not only, activity of its members has been to receive high salaries. What is this claimed Communist menace to our Government? It was stated in this debate that Gus Hall, a ragtag secretary of the Communist Party, claims a membership of 13,000 in the entire United States. He certainly would be more likely to exaggerate the numbers than to minimize them. Furthermore, who knows how many FBI agents have infiltrated the Communist Party and are posing as card-carrying Communists?

According to J. Edgar Hoover, who should know, the Communist Party in the United States has lost 90 percent of its membership since reaching its numerical strength peak 23 years ago. The FBI report is that there were 80,000 Communists in the United States in 1944. The Soviet Red Army was crushing Hitler's supermen in Europe, and in America there was tolerance for home-grown Communists. At present, the FBI estimates the numerical strength of the Communist Party has nosedived and is between 8,000 and 10,000. At most, there is one Communist in the United States for every 21,000 non-Communist, the odds in favor of free institution being 21,000 to 1.

Recently, 80,000 people crowded in the Cleveland stadium to watch the Cleveland Browns win a professional football game. According to J. Edgar Hoover's calculations, three persons in that crowd would be Communists, and more than 80,000 would not. Should we be afraid that those few will harm the rest of us? Furthermore, we have on our side the

city and State police, the FBI, the Army, Air Force, and Navy—never forgetting the Marines. Do we need the five men on the Subversive Activities Control Board feeding at the public trough to the extent of \$26,000 each per year to gallop to our aid? If it is claimed that we no longer are the land of the free, let us at least be the home of the brave. I am reminded of a couplet:

Last night I saw upon the stair
A little man who was not there.
He was not there again today,
Oh, how I wish he would go away.

Mr. President, in my judgment it is unthinkable that the rules should be suspended to permit consideration of the amendment introduced by the distinguished senior Senator from Illinois [Mr. DIRKSEN]. This proposed amendment was originally introduced as a bill, S. 2171. Although no hearings were held by the Committee on the Judiciary on this legislative proposal, it was reported favorably by the committee last August. The committee report contains no explanation of the bill's provisions, no section-by-section analysis, and no explanation of the changes that it would make in existing law. The Justice Department was not asked for its opinion of the bill nor did it offer any, nor for that matter, did any other agency of the executive branch.

Any legislative proposal to strengthen or perpetuate the outmoded Subversive Activities Control Board should be the subject of thorough hearings before it is brought before the Senate for debate and vote.

The Subversive Activities Control Board is part of that debris of the witch hunts, the so-called period of McCarthyism, that is still with us. The continued existence of this vestigial agency is ridiculous. This relic of the McCarthy era is not only insulting to Americans, but is also a complete waste of taxpayers' money.

We have recovered somewhat from that era, which we should like to forget, of pointless suspicion, fear, character assassination, and ruined careers, and the ridiculous and utterly false claims that there were thousands of Communists on the faculties of universities, in the Protestant clergy, and in the State Department. All of these allegations were entirely untrue at the time they were made, but, unfortunately, were believed by many Americans.

Much of the rubbish of that period has been cleaned up, but it may take a generation to remove all the debris. This remainder of a shameful chapter in our history, the Subversive Activities Control Board, should be abolished unwept, unhonored, and unsung.

In 1950, when President Truman vetoed the McCarran-Walter Act which created this bureaucratic monstrosity, he said:

The provisions of the act are not merely ineffective and unworkable; they represent a clear and present danger to our institutions.

His warning has been validated in numerous Supreme Court decisions which have all but nullified the effectiveness of that legislation.

Mr. President, when the Constitution was first proclaimed, there was an uproar from liberty-loving Americans who had won the Revolutionary War. They forced down the throats of the reactionaries of that period the first 10 amendments to the Constitution. They made the adoption of these amendments a condition for the ratification of our Constitution. Throughout the years, we have affectionately termed those first 10 amendments to our Constitution the Bill of Rights.

So it is for us today to fight for the preservation of these rights. I believe it would be well for the people of the United States, our fellow citizens, to re-read those first 10 amendments. I am certain that those lunatic fringe extremists, right-wing splinter groups such as the so-called Liberty Lobby, the Manion Forum, and the John Birch Society—or "Birchsaps" or "Sons of Birches" as our colleague the senior Senator from California, the assistant minority leader, has termed them—have never read or would like to forget those first 10 amendments.

Mr. President, about 30 years ago, Chief Justice of the United States Hughes said:

The greater the importance of safeguarding the country from incitements to the overthrow of our institutions by force and violence, the more imperative is the need to preserve inviolate the constitutional rights of free speech, free press, and free assembly in order to maintain the opportunity for free political discussion, to the end the government may be responsive to the will of the people and that changes, if desired, may be obtained by peaceful means. Therein lies the security of the Republic, the very foundation of constitutional government.

The Subversive Activities Control Act of 1950 has constituted one of the greatest threats to our civil liberties since the alien and sedition laws of 1798.

The proposal to amend the original act; which the Senate will consider should this motion carry, demands the opposition of all who cherish liberty, free expression, and freedom of thought. Loyalty cannot be coerced or compelled.

Those supporting this proposed amendment claim that it would put the original Subversive Activities Control Act in line with recent Supreme Court decisions. This, of course, is facetious, for the powers of the Subversive Activities Control Board would continue to remain unrestricted and vague. It is a blatant attempt to revise the SACB and give it even greater power. It bears the taint of McCarthyism as it gives a politically appointed Board the right to freely smear and libel any group or organization.

When the SACB was created in 1950, it was a bad idea. Nothing has happened since to change my opinion. Instead, the evidence shows an effort to introduce totalitarian uniformity into political thinking. The existence of the Board continues to be a challenge to the basic principles of our democratic way of life.

The Board is redundant and unnecessary. The laws of our land without violating the spirit of the Constitution have always adequately safeguarded the security, dignity, and the sovereignty of this great Nation of ours.

Mr. President, since 1965, taxpayers have spent nearly \$2 million for the virtually defunct Subversive Activities Control Board. It has not held a formal hearing in those 2 years. There are no cases pending before it. This boondoggle will cost taxpayers more than \$330,000 this year alone. Only 18 employees remain, and they are virtually sinecures. The average salary of each is \$11,000 a year—one of the highest in the entire Federal bureaucracy. This Board has not made a single substantial contribution to the national welfare since its creation. To the contrary, its very existence is a symbol of all that is repulsive to freedom-loving Americans.

The Subversive Activities Control Board has five Board members, each appointed by the President subject to confirmation by the Senate. Each member has a personal administrative assistant. Then there are eight other employees whose function, I imagine, is to keep track of the first 10. These 18 people have the softest jobs in Washington. In fact, they have no real duties at all, except the trouble they expend once or twice a month to draw their salaries.

They do nothing of value whatever except perhaps write memos or messages to one another and publish annual reports of what they have not accomplished. To perpetuate the sinecures, as the proposed amendment would do, makes a transparent sham of any claim by Congress of an interest in real economy in Government.

The continued expenditure of taxpayers' money for this absurd boondoggle is unconscionable at a time when we are looking for ways to save taxpayers' money in order to finance the fantastically expensive civil war in which the administration has involved us in Vietnam, a war which has now become an American ground and air war in Southeast Asia. It is a war that is costing the American taxpayers more than \$2 billion every month—money that is being blown up in smoke.

Mr. President we must hold fast to our heritage as free men and women. We must renew our confidence in each other, our tolerance and our sense of being good neighbors. We must repudiate the fear-mongers, those men of little faith, or no faith whatever, who are plotting the inquisition and investigations into our schools, colleges, churches, and all institutions of our free society.

Last month I joined with the distinguished Senator from Wisconsin [Mr. PROXIMIRE] in introducing legislation which would abolish the SACB. This bill, S. 2146, is now pending before the Committee on the Judiciary. It would transfer to the Justice Department all Board activities and it would authorize the Attorney General to designate an independent officer or agency within the Department to handle these activities. Frankly, in my view, that is the legislative proposal we should be considering.

Mr. President, if the same energy that is being put behind the proposed amendment were devoted to the enactment of the administration's programs to alleviate poverty, to promote civil rights, and to provide for a better standard of living

for all our citizens, this country would be better served.

As one who despises Communists, communism, and Communist methods, I join with other Senators in expressing strong opposition to the pending motion to suspend the rules to permit consideration of the proposed amendment at this time.

Mr. President, I yield back the remainder of my time.

The PRESIDING OFFICER. Who yields time?

Mr. MANSFIELD. Mr. President, again I suggest the absence of a quorum, with the time not to be taken out of either side.

The PRESIDING OFFICER. Without objection it is so ordered, and the clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. DIRKSEN. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DIRKSEN. Mr. President, I yield 5 minutes to the distinguished majority leader.

Mr. MANSFIELD. Mr. President, as a member of the subcommittee which reported the pending business, including the funds for the Subversive Activities Control Board, I support the motion to suspend the rule made by the distinguished minority leader.

First, I think I should say for the RECORD, so that there will be no misunderstanding, that it is a happenstance that the Chairman of the Subversive Activities Control Board is a Montanan; but I do not join the distinguished minority leader on that basis. I believe there is a need to continue this Board—a board created under the McCarran-Walter Act of 1950—but which, unfortunate, and through no fault of its own, has little or no business before it at the present time. However, if the motion to suspend is defeated, the bill will still contain a \$300,000 appropriation for the Board. Then, if I correctly understand what is to happen, an amendment will be offered to eliminate the \$300,000. In my opinion, that amendment will not prevail.

Thus, we are faced with a situation in which the Subversive Activities Control Board, at the moment, has little or nothing to do because of decisions by the Supreme Court affecting its jurisdiction.

If the motion to suspend does not carry, it is my belief—I reiterate—that the funds appropriated in the bill will be allowed by the Senate, and then we will have the sorry picture of funds being appropriated to an agency which has very little to do.

The question has been raised as to why the Board's functions have not been transferred to the Department of Justice. That question was answered by Assistant Attorney General Yeagley. During the course of the hearings he indicated that this authority should not be placed in the Department of Justice.

He also said, if I read the RECORD correctly, that this agency should be continued, preferably with additional powers.

90TH CONGRESS
1ST SESSION

S. 1084

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 12, 1967

Referred to the Committee on Government Operations

AN ACT

To amend section 3620 of the Revised Statutes with respect to payroll deductions for Federal employees.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That subsections (b) and (c) of section 3620 of the Revised
4 Statutes, as amended (31 U.S.C. 492), are amended to read
5 as follows:

6 “(b) (1) Notwithstanding subsection (a) of this section
7 or any other provision of law, and under regulations to be
8 prescribed by the Secretary of the Treasury, the head of an
9 agency shall, upon the written request of an employee of the
10 agency to whom a payment for wages or salary is to be made,
11 authorize a disbursing officer to make the payment in the

1 form of one, two, or three checks (the number of checks and
2 the amount of each, if more than one, to be designated by
3 such employee) by sending to each financial organization
4 designated by such employee a check that is drawn in favor
5 of the organization and is for credit to the checking account
6 of such employee or is for the deposit of savings or purchase
7 of shares for such employee: *Provided*, That the agency shall
8 not be reimbursed for the cost of sending one check requested
9 by such employee but shall be reimbursed for the additional
10 cost of sending any additional check requested by such em-
11 ployee by the financial organization to which such check is
12 sent. For the purposes of the foregoing proviso, the check
13 for which the agency shall not be reimbursed shall be the
14 check in the largest amount.

15 “(2) If more than one employee to whom a payment
16 is to be made designates the same financial organization, the
17 head of an agency may, upon the written request of such
18 employee and under regulations to be prescribed by the
19 Secretary of the Treasury, authorize a disbursing officer to
20 make the payment by sending to the organization a check
21 that is drawn in favor of the organization for the total
22 amount designated by those employees and by specifying
23 the amount to be credited to the account of each of those
24 employees.

25 “(3) In this subsection, the term ‘agency’ means any

1 department, agency, independent establishment, board, office,
2 commission, or other establishment in the executive, legis-
3 lative, or judicial branch of the Government, any wholly
4 owned or controlled Government corporation, and the mu-
5 nicipal government of the District of Columbia; and the term
6 'financial organization' means any bank, savings bank,
7 savings and loan association or similar institution, or Federal
8 or State chartered credit union.

9 "(c) Payment by the United States in the form of
10 more than one check, drawn in accordance with subsection (b)
11 and properly endorsed, shall constitute a full acquittance
12 for the amount due to the employee requesting payment."

Passed the Senate October 11 (legislative day, October
10), 1967.

Attest:

FRANCIS R. VALEO,

Secretary.

AN ACT

To amend section 3620 of the Revised Statutes with respect to payroll deductions for Federal employees.

October 12, 1967

Referred to the Committee on Government Operations

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D.C. 20250
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U.S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(FOR INFORMATION ONLY;
NOT TO BE QUOTED OR CITED)

Issued November 6, 1967
For actions of November 3, 1967
90th-1st; No. 179

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HIGHLIGHT: House adopted resolution for consideration of poverty bill.

HOUSE

1. POVERTY. Adopted, 262-39, a resolution for the consideration of S. 2388, the poverty bill. pp. H14531-39
Rep. Thompson, N. J., urged passage of the poverty bill. p. H14580
2. CREDIT UNIONS. The Banking and Currency Committee voted to report (but did not actually report) H. R. 6157, to permit Federal employees to purchase shares of Federal- or State-chartered credit unions through voluntary payroll allotments; and H. R. 13489, amended, to amend the Federal Credit Union Act to modernize the loan, investment, and dividend provisions. p. D994
3. SMALL BUSINESS. Rep. Conte commended the Small Business Administration system and urged its continuance as an independent agency. p. H14546

4. SPENDING. Rep. Gude urged "in light of the present deficit and the need to establish priorities in Federal spending," that educational needs receive top priority in any future supplemental appropriations. p. H14550
Rep. Wyman criticized Government "overspending...year after year," urged "prudent fiscal policies," and inserted a supporting editorial. pp. H14565-6
Rep. Ashbrook inserted a Wall Street Journal editorial, "Prescription for Paralysis," referring to the findings of the Tax Foundation's study, "Growth Trends of New Federal Programs: 1955-68." p. H14566

5. VEGETABLE OIL. Rep. Findley inserted a copy of a wire he sent this Department asking "that you reconsider your decision of October 30, 1967 in which you decided recommending that the President use Section XXII Authority to raise tariffs on imports of Soviet vegetable oil" by a firm which is expected to unload 20 million pounds of Soviet oil this weekend in New Orleans. pp. H14563-4

6. FLOOD CONTROL. Rep. DeLa Garza commended the action program agreed upon by President Johnson and President Diaz Ordaz of Mexico to complete flood control projects in the Rio Grande Valley and other actions that would give "priority attention to a program of social and economic rehabilitation of the lower Rio Grande Valley." p. H14585

7. MEAT INSPECTION. Rep. Foley inserted Rep. Poage's statement describing in chronological order the events connected with the proposed "solicitation" of election funds by a meatpacker. pp. H14571-3

8. CONSUMER AFFAIRS. Rep. Rosenthal expressed gratitude that the "moral case for consumer protection continues to be made" and inserted an article by a member of the President's Consumer Advisory Council. p. H14573
Rep. Howard inserted the text of the remarks of the President at the Consumer Assembly. pp. H14577-8

9. JOB CORPS. Rep. Mink inserted an article, "Job Corps Does Good Job on Kauai." pp. H14576-7

10. COMMODITY RESERVE. Rep. Foley expressed regret "that a majority of the members of the Livestock and Feed Grains Subcommittee of the House Committee on Agriculture chose to defeat" the commodity reserve bill and inserted a statement by Dr. Schnittker following the defeat of the legislation, a copy of his testimony, and several newspaper articles. pp. H14578-80

11. LEGISLATIVE PROGRAM. Rep. Albert announced the following program: Mon., the Consent Calendar, the poverty bill, and the following suspensions: Peanut acreage allotment bill, Product Safety Commission bill, animal drug bill. Tues., the poverty bill, which will continue through the balance of the week or until the bill is concluded. p. H14540

12. ADJOURNED until Mon., Nov. 6. p. H14586

ITEMS IN APPENDIX

13. FARM BUREAU. Extension of remarks of Rep. Resnick criticizing "giant cooperatives--usually affiliated with the Farm Bureau--which have been victimizing the American farmer by issuing patronage dividends", and stating many cooperatives --certainly a large majority--are truly farmer controlled and farmer owned." p. A5412

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D.C.
OFFICIAL BUSINESS

20250

POSTAGE AND FEES PAID
U.S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(FOR INFORMATION ONLY;
NOT TO BE QUOTED OR CITED)

Issued November 8, 1967
For actions of November 7, 1967
90th-1st; No. 181

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HIGHLIGHTS: House received conference report on foreign aid authorization bill. House debated poverty bill. Senate committee reported Sawtooth Recreation Area bill. Senate passed bill to strengthen intergovernmental cooperation in personnel practices.

HOUSE

1. FOREIGN AID. Received the conference report on S. 1872, the foreign aid authorization bill (H. Rept. 892) (pp. H14715-27). Rep. Widnall commended the report (pp. H14773-5).
2. POVERTY. Began debate on S. 2388, the poverty bill. pp. H14727-64, H14771-2, H14804-5, H14812, H14816-7, H14766-70, H14786-7

3. CREDIT UNIONS. The Banking and Currency Committee reported H. R. 6157, to permit Federal employees to purchase shares of Federal- or State-chartered credit unions through voluntary payroll allotments (H. Rept. 893), and with amendment H. R. 13489, to amend the Federal Credit Union Act to modernize the loan, investment, and dividend provisions (H. Rept. 894). p. H14820

4. OIL AND GAS LEASES. The Interior and Insular Affairs Committee reported with amendment H. R. 7940, to authorize the Secretary of the Interior to prevent terminations of oil and gas leases in cases where there is a nominal deficiency in the rental payment, and to authorize him to reinstate under some conditions oil and gas leases terminated by operation of law for failure to pay rental timely (H. Rept. 895). p. H14820

5. TAXATION. Rep. Gurney stated that the letters he has received from his district in response to the President's "call for public pressure...to enact his proposed tax increase" have been "100% against the tax increase." pp. H14772-3

6. FARM PROGRAM. Rep. Zwach inserted an editorial, "Farmers Struggle in False Prosperity." p. H14779

7. CENSUS. Rep. Curtis discussed the "major issues" of the forthcoming decennial census. pp. H14782-3

8. OPINION POLL. Reps. Andrews, N. Dak., and Morris, N. Mex., inserted the results of questionnaires including items of interest to this Department. pp. H14787, H14805

9. ELECTRIFICATION. Rep. Cleveland stated the Lincoln-Dickey project "is not the answer to cheaper electric rates in New England" and inserted articles on the subject. pp. H14788-9

10. FARM BUREAU. Rep. Resnick stated that the Farm Bureau has not "refuted" one of his "charges" during the investigation of its activities, added that many cooperatives "are truly farmer controlled and farmer owned," and commended and inserted a statement of the Dairymen's League describing its policy of distributing patronage dividends. p. H14805

11. TOBACCO. H. R. 13653, as reported, would amend the Agricultural Adjustment Act of 1938 so as to add burley tobacco and cigar-filler (types 42, 43 and 44) to the lease and transfer provisions, extend the period of a lease and transfer of tobacco acreage allotments and marketing quotas for all kinds of tobacco from 1 year to a maximum of 5 years, and provide for a limitation on the amount of acreage that can be leased and transferred to any farm in the case of burley and cigar-filler (types 42, 43, and 44) tobacco to an amount not to exceed 10 acres.

SENATE

12. PERSONNEL; INTERGOVERNMENTAL RELATIONS. Passed, 54-26, with amendments S. 699, to strengthen intergovernmental cooperation and the administration of grant-in-aid programs, to extend State and local merit systems to additional programs financed by Federal funds, to provide grants for improvement of State and local personnel administration, to authorize Federal assistance in training State and local employees, to authorize interstate compacts for personnel and training

PAYROLL ALLOTMENTS FOR CREDIT UNIONS

NOVEMBER 7, 1967.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. PATMAN, from the Committee on Banking and Currency,
submitted the following

R E P O R T

[To accompany H.R. 6157]

The Committee on Banking and Currency, to whom was referred the bill (H.R. 6157), to permit Federal employees to purchase shares of Federal- or State-chartered credit unions through voluntary payroll allotment, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

HISTORY OF THE LEGISLATION

H.R. 6157 was introduced by Chairman Patman on February 27, 1967. Hearings were held on the legislation before the Banking and Currency Committee on Friday, November 3, 1967. Testimony was received from CUNA International, in support of the legislation, and from the Treasury Department in opposition to the bill. The Treasury opposed the bill on the grounds that it might adversely affect the sale of savings bonds to Federal employees and would unduly complicate the Federal payroll system.

PURPOSE OF THE BILL

H.R. 6157 would allow Federal employees to save at their credit union through a system of payroll savings plans. The bill would allow each Federal employee who belongs to a State or federally chartered credit union to have a portion of his pay deducted for savings purposes and sent directly to the credit union. The credit union shall reimburse the U.S. Government for the reasonable cost of making such allotment.

The legislation also provides that the Comptroller General of the United States shall issue regulations to implement this authority.

Under present law, the head of each department has authority to authorize payroll allotments "for such purposes as such department head deems appropriate" (5 U.S.C. 3075). Under this authority, payroll deductions have been authorized for savings bonds, contributions to the combined Federal campaign (charitable contributions), union dues, and in the case of military personnel, payment for shares in credit unions. However, credit union payroll deductions are not allowed for Federal employees.

Under the terms of H.R. 6157, the Federal Government would be required to make payroll savings deductions for shares in credit unions upon the written request of a Federal employee.

NEED FOR THE LEGISLATION

It is the belief of the committee that payroll deductions for purchase of credit union shares will serve as an effective and efficient way of encouraging additional savings and will provide an overall benefit to our economy. The bill should facilitate the flow of funds to credit unions, thereby easing credit conditions and removing some of the upward pressures on interest rates. Because the bill encourages greater thrift, it would remove funds from direct spending, thus helping to reduce inflationary pressures. Your committee further feels that the promotion of greater savings can be an effective and painless way of fighting inflation.

Payroll deductions for purchase of credit union shares will produce a number of benefits for the Federal Government as an employer. Many progressive employers in business and industry have payroll savings plans and such plans have come to be recognized as sound employment practices. The encouragement of regular savings assures a source of funds for the employees to meet emergencies or to finance large purchases. This should result in fewer employees who overextend themselves and get into financial trouble. This, in turn, should lead to a more productive and stable work force and fewer complaints to the Federal Government from creditors concerning employees in financial difficulty.

According to the Bureau of the Budget, 48.8 percent of all classified Government employees are in grades GS-1 to GS-6. This would indicate that nearly 1 million Federal employees are of modest means, clearly requiring access to credit sources and such inducements to save. Thus, H.R. 6157 would be of great benefit to this large group of Government employees, who, when financial trouble strikes, are often forced to borrow at high interest rates.

Although the Treasury Department opposes H.R. 6157 primarily on the grounds that enactment of the legislation would place credit unions in direct competition with the Government savings bond program and could reduce the volume of savings bonds purchased by Federal employees, it must be noted that Treasury Department's opposition is based on conjecture and not on an experience factor.

While not totally rejecting the possibility that bond sales could slip if credit union payroll deduction allotments were allowed, your committee does not feel that such a possibility is likely. In addition, your committee feels that enactment of H.R. 6157, rather than hurting bond sales, will actually aid in the overall effectiveness of the savings bond program.

One of the problems in connection with the sale of series E bonds is that of early redemption. According to Treasury figures, more than one out of every three series E bonds sold during 1965 was cashed in during the first year. The Federal Government only gains maximum advantages from the sale of savings bonds when they are held to maturity. While the Government does receive some financial assistance through bonds that are cashed in after being held for only a few months, it is felt that the paperwork involved in handling the bond transaction would offset any financial benefits accrued during the brief period. Clearly, then, it is not enough to promote bond sales if the bonds are not to be held for a sufficient length of time to provide financial benefits to the Government.

Your committee feels that by authorizing credit union payroll deductions for Federal employees that the problem of early redemption on savings bonds can be alleviated to a certain extent.

Systematic savings in credit unions would provide Federal employees with funds to meet short-term needs. Under this legislation, the employee would have a regular savings account in his credit union that he could use for consumer goods purchases or for emergency situations. He would not have to redeem his bonds for such purposes and, because of this, the possibility that he would hold his bonds to maturity would be greatly increased.

In private industry it has not been proven that credit union payroll deduction plans affect bond sales. For example, 80 percent of the employees of a major aircraft corporation have credit union payroll deductions, but 99 percent have savings bond deductions.

Thus, your committee has seen no concrete evidence that would support Treasury's position that H.R. 6157 would handicap the savings bond sales program.

Treasury further argues that H.R. 6157, rather than being used for a savings vehicle for credit union members, would be used for debt repayment. Payroll deductions under H.R. 6157 are for savings purposes only and are not available to pay off borrowings. But, at the same time, it must be noted in private companies where credit union payroll allotments are authorized, an average of more than 80 percent of the deductions are for share accounts.

The Treasury Department is also concerned with the costs involved in administering H.R. 6157. It must be clearly noted and understood that passage of this legislation would not involve any cost to the Government, since credit unions would reimburse the Government for the reasonable cost of making such allotments.

The Civil Service Commission has already established a standard service charge of 2 cents per individual deduction, exclusive of any postage cost, for payroll deductions authorized under present law. The Treasury Department, however, points out that these deductions are not of a fluctuating nature, in that the amount of the deduction and the agency or organization receiving the deduction are not changed on a frequent basis. The Treasury Department further indicated in its appearance before your committee that the 2-cent charge might not be enough to handle the credit union deductions if it developed that payroll deductions were constantly being increased, decreased, or otherwise changed.

Representatives of CUNA International testified before your committee that they would be willing to pay the administering costs of

the allotments regardless of the amount. Your committee expects that before a per item charge is established, a complete study will be undertaken and that once such charges are established, they will be uniform for all payroll deductions and will not be discriminatory. Your committee does not feel it would be equitable to include the cost of allotment changes in a per item charge unless it was clearly shown that a number of allotment deduction changes were anticipated.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

Section 25 of the Federal Credit Union Act (12 U.S.C. 1770)

SPACE IN FEDERAL BUILDINGS

SEC. 25. (a) Upon application by any credit union organized under State law or by any Federal credit union organized in accordance with the terms of this Act, at least 95 per centum of the membership of which is composed of persons who either are presently Federal employees or were Federal employees at the time of admission into the credit union, and members of their families, which application shall be addressed to the officer or agency of the United States charged with allotment of space in the Federal buildings in the community or district in which such credit union does business, such officer or agency may in his or its discretion allot space to such credit union if space is available without charge for rent or services.

(b) *Any Federal employee who is a member of any credit union that has a common bond consisting of Federal employees and members of their families shall have the right to have payment on shares in the credit union made by allotment from his salary in such amount and at such times as the employee may from time to time request in writing. The credit union shall reimburse the United States Government for the reasonable cost of making such allotment. The Comptroller General of the United States shall issue regulations to implement this authority. In this subsection, "Federal employee" means any person employed by any department, agency, independent establishment, board, office, commission, or other establishment in the executive, legislative, or judicial branch of the Government, any wholly owned or controlled Government corporation, and the municipal government of the District of Columbia.*



90TH CONGRESS
1ST SESSION

Union Calendar No. 338

H. R. 6157

[Report No. 893]

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 27, 1967

Mr. PATMAN introduced the following bill; which was referred to the Committee on Banking and Currency

NOVEMBER 7, 1967

Committed to the Committee of the Whole House on the State of the Union
and ordered to be printed

A BILL

To permit Federal employees to purchase shares of Federal- or
State-chartered credit unions through voluntary payroll
allotment.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That section 25 of the Federal Credit Union Act (12 U.S.C.
4 1770) is amended (1) by inserting “(a)” immediately
5 after “SEC. 25” and (2) by adding at the end thereof the
6 following new subsection:

7 “(b) Any Federal employee who is a member of any
8 credit union that has a common bond consisting of Federal
9 employees and members of their families shall have the
10 right to have payment on shares in the credit union made

1 by allotment from his salary in such amount and at such
2 times as the employee may from time to time request in
3 writing. The credit union shall reimburse the United States
4 Government for the reasonable cost of making such allot-
5 ment.

6 "The Comptroller General of the United States shall
7 issue regulations to implement this authority.

8 "In this subsection, 'Federal employee' means any per-
9 son employed by any department, agency, independent
10 establishment, board, office, commission, or other establish-
11 ment in the executive, legislative, or judicial branch of
12 the Government, any wholly owned or controlled Govern-
13 ment corporation, and the municipal government of the
14 District of Columbia."

Union Calendar No. 338

90TH CONGRESS
1ST SESSION

H. R. 6157

[Report No. 893]

A BILL

To permit Federal employees to purchase shares of Federal- or State-chartered credit unions through voluntary payroll allotment.

By Mr. PATMAN

FEBRUARY 27, 1967

Referred to the Committee on Banking and Currency

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DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

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WASHINGTON, D.C. 20250
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U.S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(FOR INFORMATION ONLY;
NOT TO BE QUOTED OR CITED)

Issued January 31, 1968
For actions of January 30, 1968
90th-2nd; No. 12

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HIGHLIGHT: House debated consumer credit protection bill.

SENATE

1. VETERANS' BENEFITS. Both Houses received the President's message in which he recommends enactment of legislation for the benefit of veterans, including a proposal to increase the maximum guarantee of GI home loans (H. Doc. 245); to S. Labor and Public Welfare and H. Veterans Affairs Committees (pp. S601-3, H482-5). The message also includes the announcement of a plan to hire veterans

on a priority basis to fill jobs open in the first five levels of the Civil Service, without having to compete in the regular examination--provided he agrees to pursue a part-time educational program under the GI Bill.

Several Sens. and Reps. discussed the merits of the President's veterans message. pp. S603-7, S621, H485-95, H592

2. NOMINATION. Confirmed the nomination of Clark Clifford to be Secretary of Defense. pp. S596-600
3. DAIRY IMPORTS. Sen. Proxmire spoke in favor of his bill S. 612, the proposed dairy import control bill. p. S629
4. BUDGET. Sens. Proxmire and Holland discussed the merits of the President's budget. pp. S632-4, S644-5
5. EMPLOYMENT. Sen. Smathers urged enactment of proposals to help the unemployed presented in the President's manpower message. p. S630
6. POULTRY INSPECTION. Sen. Miller was added as a cosponsor to S. 2846, to provide for the Federal inspection of all poultry and poultry products intended for human consumption. p. S621
7. PEACE CORPS. Both Houses received from the Peace Corps a proposed bill to enable the Peace Corps to continue its work on behalf of world peace and understanding, to Senate Foreign Relations and House Foreign Affairs Committees. pp. S607, H597
8. SALINE WATER. Both Houses received from the Interior Department a proposed bill to authorize appropriations for the saline water conversion program and to expand the program; to House and Senate Interior and Insular Affairs Committees. pp. S607, H597
9. ELECTRIFICATION. Received from this Department a report on the approval of a REA loan to the Lower Colorado River Authority of Austin, Tex., to finance certain generation and transmission facilities; to Appropriations Committee. p. S607

HOUSE

10. WATER RESOURCES Received the conference report on S. 1788, to authorize the Secretary of the Interior to engage in feasibility investigations of certain water resource developments (H. Rept. 1065). p. H481
11. CONSUMER CREDIT. Began debate on H. R. 11601, the consumer credit protection bill. pp. H496-535
12. CREDIT UNIONS. The Rules Committee reported a resolution providing for the consideration of H. R. 6157, to permit Federal employees to purchase shares of Federal- or State-chartered credit unions through voluntary payroll allotment. p. H597

CONSIDERATION OF H.R. 6157

JANUARY 30, 1968.—Referred to the House Calendar and ordered to be printed

Mr. SISK, from the Committee on Rules, submitted the following

R E P O R T

[To accompany H. Res. 1048]

The Committee on Rules, having had under consideration House Resolution 1048, report the same to the House with the recommendation that the resolution do pass.



90TH CONGRESS
2D SESSION

House Calendar No. 177

H. RES. 1048

[Report No. 1068]

IN THE HOUSE OF REPRESENTATIVES

JANUARY 30, 1968

Mr. SISK, from the Committee on Rules, reported the following resolution; which was referred to the House Calendar and ordered to be printed

RESOLUTION

1 *Resolved*, That upon the adoption of this resolution it
2 shall be in order to move that the House resolve itself into
3 the Committee of the Whole House on the State of the Union
4 for the consideration of the bill (H.R. 6157) to permit Fed-
5 eral employees to purchase shares of Federal- or State-char-
6 tered credit unions through voluntary payroll allotment.
7 After general debate, which shall be confined to the bill and
8 shall continue not to exceed one hour, to be equally divided
9 and controlled by the chairman and ranking minority mem-
10 ber of the Committee on Banking and Currency, the bill
11 shall be read for amendment under the five-minute rule. At
12 the conclusion of the consideration of the bill for amendment,

90TH CONGRESS H. RES. 1048
2d SESSION

[Report No. 1068]

RESOLUTION

Providing for consideration of H.R. 6157 to permit Federal employees to purchase shares of Federal- or State-chartered credit unions through voluntary payroll allotments.

By Mr. Sisk

JANUARY 30, 1968

Referred to the House Calendar and ordered to be printed

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HIGHLIGHTS: House concurred in Senate amendments to commodity exchange bill. Both Houses received President's message on education. Sen. Kuchel introduced and discussed water rights bill.

HOUSE

1. COMMODITY EXCHANGES. Concurred in Senate amendments to H. R. 13094, to amend the Commodity Exchange Act (pp. H788-9). This bill will now be sent to the President. The bill would amend the Commodity Exchange Act to--(1) Require that futures commission merchants meet specified minimum financial standards... (2) Increase the penalties for certain law violations such as manipulation

and embezzlement... (3) Add livestock and livestock products to the commodities regulated under the act... (4) Authorize the issuance of cease-and-desist orders, after full opportunity for hearing and appeal to the courts, in cases where persons have been found guilty of violation of the law... (5) Require contract markets to enforce their rules relating to trading, and authorize the Secretary of Agriculture to disapprove rules made or proposed which violate or would violate provisions of the act, regulations, or orders of the Commission... (6) Spell out in detail certain administrative procedures which have long been followed, and which are clearly for the purpose of accomplishing the original intent of the act."

2. EDUCATION. Both Houses received the President's message on education, which recommends additional student loans and grants (H. Doc. 247); to House Education and Labor and Senate Labor and Public Welfare Committees. pp. H778-81, S831-3

Rep. Perkins (p. H781) and Sen. Morse (pp. S862-3) commended the President's message.

Received from HEW two draft bills, the "Higher Education Amendments of 1968" and "Partnership for Earning and Learning Act of 1968"; to Education and Labor Committee. p. H806

3. CHERRIES. Rejected, 180-168, a motion to suspend the rules and pass H. R. 4282, to eliminate certain requirements with respect to effectuating marketing orders for cherries. (A two-thirds vote was required.) pp. H783-7

4. RESEARCH LANDS. Rejected, 202-138, a motion to suspend the rules and pass S. 974, to authorize the Secretary of Agriculture to convey certain research lands to Glendale, Ariz. (A two-thirds vote was required.) pp. H787-8

5. CREDIT UNIONS. Passed without amendment H. R. 6157, to permit Federal employees to purchase shares of Federal- or State-chartered credit unions through voluntary payroll allotment. pp. H789-92

6. OPINION POLL. Rep. McDade inserted a questionnaire which he is sending his constituents including items of interest to this Department. p. H798

7. TRADING STAMPS. Rep. Olsen inserted an article on the effect of trading stamps on food prices. p. H802

8. CROP INSURANCE. Both Houses received a GAO report of examination of financial statements, fiscal year 1967, Federal Crop Insurance Corporation. pp. H806, S835

9. SUPERGRADES. Received from the Civil Service Commission reports with respect to positions in grades GS-16, GS-17, and GS-18 in various departments and agencies. p. H807

10. PUBLIC BUILDINGS. Both Houses received from GSA a report of the status of construction, alteration, or acquisition of public buildings. pp. H807, S835

(B) or (C) in the manner provided in paragraph (b) of section 6 of this Act; and."

Page 21, line 17, strike out "margin" and insert "margin."

Page 21, line 17, strike out "trade" and insert "trades".

Page 23, line 2, strike out "regulations" and insert "regulations."

Page 23, lines 12 and 13, strike out "or the institution of any proceeding under section 9a of this Act".

Page 24, after line 3, insert

"SEC. 28. This Act shall become effective one hundred and twenty days after enactment."

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Texas?

There was no objection.

The Senate amendments were concurred in.

A motion to reconsider was laid on the table.

PAYROLL ALLOTMENTS FOR CREDIT UNIONS

Mr. SISK. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 1048 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 1048

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 6157) to permit Federal employees to purchase shares of Federal- or State-chartered credit unions through voluntary payroll allotment. After general debate, which shall be confined to the bill and shall continue not to exceed one hour, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Banking and Currency, the bill shall be read for amendment under the five-minute rule. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

The SPEAKER pro tempore. The gentleman from California [Mr. SISK] is recognized for 1 hour.

Mr. SISK. Mr. Speaker, I yield 30 minutes to the gentleman from Illinois [Mr. ANDERSON] pending which I yield myself such time as I may consume.

(Mr. SISK asked and was given permission to revise and extend his remarks.)

Mr. SISK. Mr. Speaker, House Resolution 1048 provides an open rule with 1 hour of general debate for consideration of H.R. 6157 to permit Federal employees to purchase shares of Federal- or State-chartered credit unions through voluntary payroll allotment.

H.R. 6157 would allow Federal employees to save at their credit union through a system of payroll savings plans. The bill would allow each Federal employee who belongs to a State or federally chartered credit union to have a portion of his pay deducted for savings purposes and sent directly to the credit union. The credit union shall reimburse the U.S. Government for the reasonable cost of making such allotment.

The Comptroller General of the United States shall issue regulations to implement this authority.

Under present law, the head of each department has authority to authorize payroll allotments for savings bonds, contributions to the combined Federal campaign—charitable contributions—union dues, and, in the case of military personnel, payment for shares in credit unions. However, credit union payroll deductions are not allowed presently for Federal employees.

Under the terms of the bill, the Federal Government would be required to make payroll savings deductions for shares in credit unions upon the written request of a Federal employee.

Mr. Speaker, I urge the adoption of House Resolution 1048 in order that H.R. 6157 may be considered.

Mr. ANDERSON of Illinois. Mr. Speaker, I yield myself such time as I may consume.

(Mr. ANDERSON of Illinois asked and was given permission to revise and extend his remarks.)

Mr. ANDERSON of Illinois. Mr. Speaker, I have no objection to the granting of the rule on this bill. There are no minority views.

I would merely add to what has been said by my colleague from California that I did happen to visit with the Chairman of the Civil Service Commission, Mr. Macy, the other day and mentioned the fact that this legislation would soon be before the House. He did express, while not opposition, perhaps reservation about the further extension of this principle that payroll deductions be used for a variety of causes.

As I understand it, this legislation is confined to the purposes stated; namely, the purchase of shares in Federal- or State-chartered credit unions. I believe perhaps during the discussion of the bill it might be in order to ask the committee to address itself to that particular question, as to whether or not similar requests have been received from other organizations to permit the use of payroll deductions as a means of enlisting support of Federal employees; and, if so, what their plans are with respect to reporting out further bills of this nature.

Mr. Speaker, I have no further requests for time.

Mr. SISK. Mr. Speaker, I move the previous question on the resolution.

The previous question was ordered.

The resolution was agreed to.

A motion to reconsider was laid on the table.

Mr. PATMAN. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 6157) to permit Federal employees to purchase shares of Federal- or State-chartered credit unions through voluntary payroll allotment.

The SPEAKER pro tempore. The question is on the motion offered by the gentleman from Texas.

The motion was agreed to.

IN THE COMMITTEE OF THE WHOLE

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill H.R. 6157, with Mrs. GREEN of Oregon in the chair.

The Clerk read the title of the bill. By unanimous consent, the first reading of the bill was dispensed with.

The CHAIRMAN. Under the rule, the gentleman from Texas [Mr. PATMAN] will be recognized for 30 minutes, and the gentleman from New Jersey [Mr. WIDNALL] will be recognized for 30 minutes.

The Chair recognizes the gentleman from Texas.

Mr. PATMAN. Madam Chairman, I yield myself such time as I may consume.

(Mr. PATMAN asked and was given permission to revise and extend his remarks.)

Mr. PATMAN. Madam Chairman, the legislation before the House today, H.R. 6157, is a very short and concise bill. The legislation would merely allow Federal employees to purchase shares of Federal- or State-chartered credit unions through voluntary payroll allotments. In addition, the bill provides that the Government's cost of handling such allotments shall be paid by the credit union receiving the allotment. Your committee feels that this legislation would not only be of benefit to Government employees but would also aid the Federal Government. By encouraging regular savings, employees build a source of funds to meet emergencies or to finance large purchases. This should result in fewer employees who over extend themselves and get into financial trouble. This, in turn, should lead to a more productive and stable workforce and fewer complaints to the Federal Government from creditors concerning employees in financial difficulty.

According to the Bureau of the Budget, 48.8 percent of all Government employees are in grades GS-1 to GS-6. This would indicate that nearly 1 million Federal employees are of modest means, clearly requiring access to credit sources and inducements to saving. Thus, H.R. 6157 would be of great benefit to this large group of Government employees who, when financial trouble strikes, often are forced to borrow at high interest rates, thus compounding the difficulty.

Much has been said during recent months about the differences in salaries for employees of private companies as opposed to those working for the Federal Government. The recently enacted pay raise bill was designed to bring Federal employee's pay closer to that of employees in private industry. Along that line, it should be noted that payroll allotments for share purchases in credit unions are commonplace in private industry, and H.R. 6157 would merely extend that privilege to government employees, thus taking another step toward placing Federal employees on a par with those in private industry as far as salary and benefits are concerned.

The Treasury Department opposes H.R. 6157 primarily on the grounds that the enactment of this legislation would place credit unions in direct competition with the Government savings bond program and could reduce the volume of savings bonds purchased by Federal employees. Your committee notes that the Treasury Department's opposition is based on conjecture and not on an experienced factor. For instance, servicemen are allowed payroll deduction allotment privileges

for credit union share purchases, but at the same time, our servicemen are among the greatest volume purchasers of savings bonds.

Perhaps one of the most dramatic arguments to show that payroll deduction plans do not effect bond sales occurred recently at Bergstrom Air Force Base in Texas. On January 11, President Johnson presented the base a Minute Man flag in recognition of the fact that more than 90 percent of the command had bought savings bonds in 1967. The Minute Man flag is a Treasury Department award given to governmental and private organizations for outstanding savings bond participation. It should be pointed out that military personnel at Bergstrom Air Force Base, like servicemen the world over, are eligible for payroll allotments to credit unions. A check of the credit union at Bergstrom revealed that of its 6,000 members, 3,000 or 50 percent had payroll deduction allotments going to the credit union. Thus, while 50 percent of the credit union members had payroll deductions, the base, as a whole, had a 90-percent participation in the savings bond program. I think this example clearly refutes the Treasury's argument that passage of this bill would harm bond sales, particularly since it was the Treasury Department that selected Bergstrom for the award.

In private industry it has been proven that payroll deduction plans do not hurt bond sales. For example, 80 percent of the employees of a major aircraft corporation have credit union payroll deductions but 99 percent have savings bond deductions.

One of the problems in the connection of series E bonds is that of early redemption. According to Treasury figures, more than 1 out of every 3 series E bonds sold during 1965 was cashed in during the first year. The Federal Government only gains maximum advantages from the sale of savings bonds when they are held to maturity. While the Government does receive some financial assistance through bonds that are cashed in after being held for only a short time, it is felt that the paperwork involved in handling the bond transactions would offset the financial benefits accrued during the brief period. Clearly then, there is not enough to promote bond sales if bonds are not to be held for a sufficient length of time to provide benefits to the Government.

Your committee feels that by authorizing credit union payroll deductions for Federal employees that the problem of early redemption on savings bonds can be alleviated to a certain extent.

Systematic savings in credit unions would provide Federal employees with funds to meet short-term needs. Under this legislation, the employees who automatically add to their regular savings account in their credit union build a source of funds for consumer goods purchases or for emergency situations. He would not have to redeem his bonds for such purchases and because of this, the possibility that he would hold his bonds to maturity would be greatly increased. In addition, Mr. Chairman, your committee feels that passage of this legislation would promote great savings which

could be an effective and painless way of fighting inflation.

In closing, Madam Chairman, I would like to once again point out that the credit unions, as they have in the past, are once again willing to pay their own way and will reimburse the Government for any costs incurred in processing the allotments.

It has been suggested by some Members of this body that every bill that is introduced should also be accompanied by a statement outlining the cost to the Government that would be incurred after the legislation was passed. That task is an extremely easy one for H.R. 6157.

Since the legislation provides that the credit unions will reimburse the Government for the cost of allotment processing, the financial cost to the Government of this legislation is zero, while the benefits that the Government will receive can never be fully measured in dollars and cents.

Madam Chairman, I yield to the gentlewoman from Missouri such time as she may consume.

Mrs. SULLIVAN. Madam Chairman, I want to compliment the gentleman from Texas, the chairman of the Committee on Banking and Currency, for bringing this bill to the floor of the House at this time. It is a good bill and should pass without any difficulty. The witnesses who testified before our committee in behalf of the bill gave good and convincing reasons as to why the bill should be considered favorably.

The credit unions were in the forefront of the battle for the Consumer Credit Protection Act which we passed in the House last week—they favored truth-in-lending legislation from the very beginning, when Senator Douglas first introduced the bill 8 years ago.

The credit union people were excellent witnesses before my Subcommittee on Consumer Affairs during our hearings on H.R. 11601, and pointed out the reasons why even the credit unions had to disguise the annual percentage rate of their interest or finance charges on loans, and use a monthly rate instead. As long as these rates are described in confusing terminology, the 12-percent rate of the credit unions—a very low rate compared to most other lenders—actually sounded very high. So even though they wanted to give the true rate, the confusion among consumers as to the meaning of the various rates cited by other types of lenders forced the credit unions to use monthly rates instead of annual rates. I appreciated their candor and their willingness to change their procedures to conform to H.R. 11601.

Chairman PATMAN frequently says that next to the church, the credit union is the most important voluntary organization to which a citizen can belong. He has been instrumental in the passage of many credit union bills, of which this is the latest. I urge its passage.

(Mrs. SULLIVAN asked and was given permission to revise and extend her remarks.)

Mr. PATMAN. Madam Chairman, I yield such time as he may consume to the gentleman from Rhode Island [Mr. ST GERMAIN].

(Mr. ST GERMAIN asked and was given permission to revise and extend his remarks.)

Mr. ST GERMAIN. Madam Chairman, I rise in strong support of H.R. 6157.

I have long supported legislation to provide payroll deductions for Federal employees belonging to credit unions and, in fact, during the 89th Congress introduced legislation designed to accomplish that purpose.

When credit union representatives appeared before the Banking and Currency Committee to testify on H.R. 6157, they made a strong case for its enactment, and I must reject the Treasury Department's argument that enactment of this legislation would hinder bond sales.

It has repeatedly been shown that on military installations where a credit union is in operation, bond sales are not in the least affected because of payroll deductions for the purchase of credit union shares. We have long allowed payroll deductions for credit union share purchases by our Armed Forces personnel. Yet, our servicemen and women as a class are the largest purchasers of savings bonds. Such a fact not only disproves the Treasury Department's argument that passage of this legislation will hurt bond sales, but in reality, may actually mean that passage of this legislation will help bond sales since Federal employees will now be able to save for emergency needs at the credit union through a painless withholding program and through the educational process of savings will be, I feel, favorably inclined to make additional investments in savings bonds which are designed as long-term savings instruments.

Madam Chairman, there are more credit unions, nearly 23,000, than all other financial institutions combined. Credit unions have established a remarkable record of safeguarding their members' funds so there could be no doubt that these institutions are well managed and a safe place to save.

Because of this, I feel it is important that Federal employees be allowed to make automatic payroll deductions for share purchases in credit unions. Credit unions have played a great part in economic history of our country and in the recent tight money situation have proven to be one of the most stable members of the financial community. I, therefore, urge the unanimous approval of H.R. 6157.

Mr. PATMAN. Madam Chairman, I yield such time as he may consume to the gentleman from Hawaii [Mr. MATSUNAGA].

(Mr. MATSUNAGA asked and was given permission to revise and extend his remarks.)

Mr. MATSUNAGA. Madam Chairman, as the introducer of an essentially similar bill, H.R. 4256, I rise in support of H.R. 6157, which would allow Federal employees to save at their credit unions through voluntary payroll allotment.

The bill we are considering would allow each Federal employee who belongs to a Federal- or State-chartered credit union to have a designated amount deducted from his pay for savings purposes and sent directly to the credit union. The credit union involved

would reimburse the U.S. Government for the reasonable cost of making such allotments.

We ought to support this legislation for several very sound reasons. In the first place, the bill would provide an inducement to save for an estimated 1 million Federal employees of modest means. It would encourage this large group of citizens to save systematically for a "rainy day," which often brings financial disaster because of their lack of planning. Credit union savings would provide these employees with a ready source of funds in an emergency, and remove the necessity of borrowing at high interest rates. This removal of earnings from current spending would also help to reduce inflationary pressures.

Another justification for the enactment of this bill is that it would increase the effectiveness of the U.S. savings bond program. Treasury Department figures indicate that an unusually large number of U.S. savings bonds are redeemed within 1 year of the date of purchase. Clearly, the holders of these bonds did not have the needed cash fund for their short term needs. By creating such a fund through the payroll allotment provided in this bill, the Federal employee would find it possible to hold his Government bonds to maturity. I think that the benefits realized by both the Government and the employee are self-evident when the employee holds his Government savings bonds to maturity.

Madam Chairman, I do not believe, as some seem to fear, that payroll allotments for credit unions would supplant the Government savings bond program. The employees who do not need the ready cash fund that this bill would make possible would continue to buy Government savings bonds as a long-term investment. At the same time, as I have pointed out, this legislation would satisfy a need among our Government employees who may be using the Government savings bond program for a purpose that could be better served by a ready cash account.

I urge a favorable vote for H.R. 6157.

Mr. PATMAN. Madam Chairman, I yield such time as he may consume to the gentleman from Texas [Mr. GONZALEZ].

(Mr. GONZALEZ asked and was given permission to revise and extend his remarks.)

Mr. GONZALEZ. Thank you, Mr. Chairman, for yielding me this time.

I supported this bill in committee, and I wish to congratulate the chairman, our illustrious fellow Texan, for this legislation.

Madam Chairman, the legislation before the House today, H.R. 6157, will correct a deficiency that has existed in our Federal Government for a long time.

Servicemen have long been able to make payroll allotments for credit union share purchases, but civilian personnel working side by side with our servicemen have been denied this privilege. Not only have the civilian workers seen the allotment privileges available to servicemen but they know that thousands of private employers grant allotment privileges to their employees. Thus, the Federal civil-

ian employees must suffer while others are granted what might best be termed "privileged privileges."

It should be noted that the Civil Service Commission could, by regulation, allow Federal employees to have payroll deductions for credit union share purchases but has refused to grant this privilege. Even when the credit unions offered to pay for the processing of the allotments, the Civil Service Commission still refused the request. I sincerely hope that the Civil Service Commission will carefully review all of its policies to see that there are none that unfairly discriminate against Federal employees as has the one before the House today.

The story of credit unions is the story of success. Thousands of people who have never before saved a penny, have found that after being exposed to their credit union, that for the first time they have begun saving funds. H.R. 6157 merely makes it easier for Federal employees to accomplish savings.

A program of systematic savings will not only benefit the individual saver, but will have a beneficial effect on the operation of the Federal Government. It has been proven time and again that employees with savings accounts suffer far fewer financial problems than those who have no savings accounts and must borrow to meet financial difficulties. Thus, passage of this legislation should greatly decrease the number of complaints that the Federal Government receives concerning employees who are in financial difficulty.

In closing, I would like to point out that the credit union movement has always prided itself on paying its own way, even to the extent of paying the entire cost of the operation of the Bureau of Federal Credit Unions, the agency which regulates and supervises Federal credit unions.

It is in that credit union tradition that H.R. 6157 has been drafted, with credit unions paying the full cost of this legislation. I know that my colleagues will pass this legislation unanimously with the tribute of the outstanding work of our Nation's credit unions.

Mr. DEL CLAWSON. Madam Chairman, I yield such time as he may consume to the gentleman from Utah [Mr. LLOYD].

(Mr. LLOYD asked and was given permission to revise and extend his remarks.)

Mr. LLOYD. Madam Chairman, I merely rise because I think it is important that a few facts concerning this legislation be brought out.

The Department of the Treasury objected to this legislation before the committee, according to my reading of the hearings, on two grounds. One is that it would compete with the sale of savings bonds. Second, it would unduly complicate the Federal payroll system.

The chairman of the committee has stated, as I understood it, that the Treasury in effect has withdrawn its objections. If that is true, this is something I did not know anything about, but I will accept the chairman's statement on that, naturally.

Mr. PATMAN. Madam Chairman, will the gentleman yield?

Mr. LLOYD. I yield to the chairman of the committee.

Mr. PATMAN. I believe the gentleman misunderstood me about their withdrawing their objections. I did not intend to say that. I said that there was no need for further objection from the Treasury because the credit union will pay all of the cost, and it is written into the bill itself.

Mr. LLOYD. I thank the chairman for his explanation of it. It is my understanding, then, that they, the Treasury Department, have not withdrawn their objection.

The other body has had this legislation under consideration, and they have passed a bill on it. The legislation that passed the other body recognizes deductions not only for the purpose of purchasing shares in credit unions but also recognizes deductions for deposit or for savings in other financial institutions. I think the Members of the House should recognize in the legislation before us today that the only deduction that is recognized is the deduction for Federal employees for Federal credit unions and not deductions for other financial institutions. And, to that extent, we are plowing new ground and establishing a new precedent.

Now, this is not an apprehension apparently that has bothered the members of the Committee on Banking and Currency, meeting in a hearing and executive committee on the morning of November 1, which meeting I was unable to attend. It is not an apprehension, apparently, that has bothered the various Members of this House of Representatives.

So, Madam Chairman, I am not going to make any further issue out of it, except to state that I think these are considerations which should come before the House in passing legislation establishing a precedent of this kind.

Mr. DEL CLAWSON. Madam Chairman, I yield such time as he may consume to the gentleman from Iowa [Mr. GROSS.]

(Mr. GROSS asked and was given permission to revise and extend his remarks.)

Mr. GROSS. Madam Chairman, I would like to ask the gentleman from Texas, in an effort to satisfy the apprehension as expressed by the gentleman from Illinois [Mr. ANDERSON], whether the Committee on Banking and Currency has applications from others for payroll deductions of any kind or nature at this time, and whether the committee expects to entertain further legislation on this subject?

I share the apprehension that the House of Representatives will be called upon to provide for additional deductions from paychecks.

I think it ought to be limited to the proposition we have here today, and we ought to have assurance that the committee is not about to come in with legislation for other payroll deductions.

Mr. PATMAN. Madam Chairman, will the gentleman yield?

Mr. GROSS. Yes, I yield to the gentleman from Texas.

Mr. PATMAN. Madam Chairman, I will state to the gentleman from Iowa—

and I believe it is pretty well known—that when this bill goes to the other body an effort will be made to put on savings and loan associations, commercial banks, and mutual savings banks. Then the question will come back to the House of Representatives for its consideration. I know the question will be up for consideration, but in so long as the institutions themselves pay the entire cost of this operation and the development thereof, without question, I do not believe there should be any difficulty.

We are not binding any other financial institution. We are not opposing any other financial institution. And, if the facts and circumstances are practically the same, the credit unions will probably go through the other body as part of this legislation.

Mr. GROSS. Is the gentleman from Texas saying in response to my question that he is willing to go to conference with the other body and agree to other payroll deductions, for instance, for banks, savings and loan associations, mutual savings and loan operations?

Mr. PATMAN. Madam Chairman, if the gentleman will yield, no, I have never made an agreement like that. With reference to savings and loan institutions, we cannot under the rules of the House make an agreement like that without abrogating the theory of a free conference.

Mr. GROSS. What is the gentleman's suggestion?

Mr. PATMAN. Madam Chairman, if the gentleman will yield further, when you have a free conference you are not supposed to be tied down by specific commitment. But these are the institutions—these three—commercial banks, savings and loan institutions, and mutual savings and loan institutions. Therefore, perhaps we should give them the same rights and privileges and then when the question comes back to the House of Representatives it will be settled right here, or if not settled here, it will be settled in conference.

Mr. GROSS. What is the gentleman's personal position in the matter?

Mr. PATMAN. My personal position is to take a look at it, if and when it happens.

Mr. GROSS. Some of us would like an answer from the gentleman at this time in the matter of how much further he is prepared to go in authorizing deductions from Federal employees' pay checks.

Mr. PATMAN. May I say to the gentleman from Iowa that I have a high regard for the gentleman. I know the gentleman is doing this in the public interest and he is very sincere about it. However, I could not say anything else with reference to the matter. I could not give to the gentleman in advance what will ultimately happen in the conference, because if I did so I could not serve on the conference.

You see, you have got to have a free conference, and you cannot have a free conference if the members are committed in advance.

Mr. DEL CLAWSON. Madam Chairman, I yield 1 minute to the gentleman from Michigan [Mr. HUTCHINSON].

Mr. HUTCHINSON. Madam Chairman, I take this time simply to raise

this one question which is in my mind, which is this. I understand that the credit union people are agreeable to paying the entire cost of the administration of this payroll deduction plan, but I would like to ask: What is the capacity of the machinery in the Government to handle these various accounts? Are we going to have to end up having to invest in more and bigger machinery, machinery having a lot more columns in it in order to accommodate these plans?

Mr. PATMAN. The extra expenditure is not contemplated, and that question was not even raised. The amount of work involved will be so small in comparison with the ability of the machines to carry it forward that it is not a serious question.

Mr. HUTCHINSON. The gentleman says that this is not a serious question, but I for one have known many instances where it was necessary to acquire bigger machines with more columns in them in order to take care of some additional items.

However, I thank the gentleman for his answer.

Mr. DEL CLAWSON. Madam Chairman, I have no further requests for time.

Mr. PATMAN. Madam Chairman, I have no further requests for time.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 25 of the Federal Credit Union Act (12 U.S.C. 1770) is amended (1) by inserting "(a)" immediately after "Sec. 25" and (2) by adding at the end thereof the following new subsection:

"(b) Any Federal employee who is a member of any credit union that has a common bond consisting of Federal employees and members of their families shall have the right to have payment on shares in the credit union made by allotment from his salary in such amount and at such times as the employee may from time to time request in writing. The credit union shall reimburse the United States Government for the reasonable cost of making such allotment."

"The Comptroller General of the United States shall issue regulations to implement this authority.

"In this subsection, 'Federal employee' means any person employed by any department, agency, independent establishment, board, office, commission, or other establishment in the executive, legislative, or judicial branch of the Government, any wholly owned or controlled Government corporation, and the municipal government of the District of Columbia."

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly the Committee rose; and the Speaker pro tempore (Mr. ALBERT) having assumed the chair, Mrs. GREEN of Oregon, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee having had under consideration the bill (H.R. 6157) to permit Federal employees to purchase shares of Federal- or State-chartered credit unions through voluntary payroll allotment, pursuant to House Resolution 1048, she reported the bill back to the House.

The SPEAKER pro tempore (Mr. ALBERT). Under the rule, the previous question is ordered.

The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER pro tempore. The question is on the passage of the bill.

The bill was passed.

A motion to reconsider was laid on the table.

GENERAL LEAVE TO EXTEND

Mr. PATMAN. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on the bill just passed, and to include extraneous material.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Texas?

There was no objection.

DEMONSTRATIONS IN THE NATION'S CAPITAL

(Mr. DORN asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. DORN. Mr. Speaker, today the peace demonstrators are back in Washington again. No doubt they will continue as in the past to falsely charge the United States with war crimes and escalation of the war in South Vietnam thus echoing the charges of crimes from Hanoi and Peking. This peace demonstration rally coincides with escalation of the Vietnam war by the Communist aggressor. This demonstration comes at a time when Communist terror, infiltration, murder, and sabotage reached an unprecedented scale of escalation in South Vietnam—Communist attacks on women and children with 150,000 homeless.

This is the Communists' answer to the doves of peace and those who extend the olive branch. Escalation and murder is the Communists answer to our repeated offers of negotiation. Every sincere offer of peace by our Government has met with an emphatic "No" and more aggression and terror by the Communists.

The peace demonstrators here have had their answer time and again from Hanoi. Hanoi does not now want peace. It is high time the peace demonstrators go home and promote unity in our country for our men fighting ruthless aggression. The peace demonstrators who really desire peace have come to the wrong place at the wrong time. No demonstration has ever been more ill timed and ill conceived. Aggression is not spawned in Washington, but in Hanoi and Peking. We will have peace in South Vietnam when the aggressor returns home. There will be peace when he escalates his aggressive escalation.

Mr. Speaker, this Nation is in war. It is high time for all of the American people to tighten their belts and exert every effort to support our men fighting for freedom. We as a nation should go on wartime footing, make the necessary sacrifices, win the war, and secure the peace for little nations who oppose stark ruthless aggression. The card burner, flag burner, and peace demonstrator is point-

90TH CONGRESS
2D SESSION

H. R. 6157

IN THE SENATE OF THE UNITED STATES

FEBRUARY 6, 1968

Read twice and referred to the Committee on Banking and Currency

AN ACT

To permit Federal employees to purchase shares of Federal- or State-chartered credit unions through voluntary payroll allotment.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That section 25 of the Federal Credit Union Act (12 U.S.C.
4 1770) is amended (1) by inserting “(a)” immediately
5 after “SEC. 25” and (2) by adding at the end thereof the
6 following new subsection:

7 “(b) Any Federal employee who is a member of any
8 credit union that has a common bond consisting of Federal
9 employees and members of their families shall have the
10 right to have payment on shares in the credit union made

1 by allotment from his salary in such amount and at such
2 times as the employee may from time to time request in
3 writing. The credit union shall reimburse the United States
4 Government for the reasonable cost of making such allot-
5 ment.

6 "The Comptroller General of the United States shall
7 issue regulations to implement this authority.

8 "In this subsection, 'Federal employee' means any per-
9 son employed by any department, agency, independent
10 establishment, board, office, commission, or other establish-
11 ment in the executive, legislative, or judicial branch of
14 the Government, any wholly owned or controlled Govern-
15 ment corporation, and the municipal government of the
16 District of Columbia."

Passed the House of Representatives February 5, 1968.

Attest:

W. PAT JENNINGS,

Clerk.

90TH CONGRESS
2D SESSION

H. R. 6157

AN ACT

To permit Federal employees to purchase shares of Federal- or State-chartered credit unions through voluntary payroll allotment.

FEBRUARY 6, 1968

Read twice and referred to the Committee on Banking and Currency

Senate

June 11, 1968

13. GRAINS. Sen. Jordan announced hearings have been scheduled for Mon., June 17, on S. 272, S. 2069, and H. R. 15794, the grain inspection bills. p. S6997

14. CREDIT UNION. The Banking and Currency Committee voted to report (but did not actually report) H. R. 14907 to amend the Federal Credit Union Act (amended so as to incorporate texts of S. 3002, 3214, and 3395, bills also proposing amendments to this act); and H. R. 6157, to authorize payroll savings deductions for credit union shares for Federal employees (with amendment substituting language of S. 1084). p. D535

15. TRADE. The Commerce Committee reconsidered its action of May 21, and voted to report without amendment (but did not actually report) S. 3065, to amend the Federal Trade Commission Act by providing for temporary injunctions or restraining orders for certain violations of that act. p. D535
Sen. Javits inserted his speech "Where Is Leadership in U. S. Trade Policy?" made before a recent conference on U. S. trade policy. pp. S7051-2

16. ELECTRIFICATION. The Commerce Committee voted to report (but did not actually report) with additional amendment S. 2445, to establish guidelines for the Federal Power Commission in its licensing authority. p. D535

17. EDUCATION. Sen. Yarborough submitted a technical amendment to S. 3098, the Higher Education Amendments of 1968. p. S6997

18. HEALTH; SAFETY. Sen. Yarborough announced that a subcommittee of the Labor and Public Welfare Committee will resume hearings June 12, on S. 2864, the occupational safety and health bill, and inserted a related article. pp. S6997-8

19. CROP INSURANCE. Sen. Jordan praised the Federal crop insurance program. pp. S7001-2

20. CONSERVATION. Sen. Yarborough inserted a Tex. Conservation Council, Inc. resolution in favor of establishing a Big Thicket National Park in Tex. p. S7007

21. POVERTY. Sen. Ribicoff inserted several editorials concerned with present welfare programs. pp. S7011-3

22. PUBLIC LANDS. Concurred in House amendment to S. 974, to authorize the Secretary of Agriculture to convey to the city of Glendale, Ariz., for public park purposes, approximately 20 acres of land which constitute the grounds of the Southwest Poultry Experiment Station which is no longer used by the Department for poultry research (p. S7044). This bill will now be sent to the President.

23. BUILDINGS. Sen. Byrd, W. Va., inserted a statement by Sen. Bartlett in support of S. 222, his bill to construct Federal buildings to accommodate the physically handicapped. pp. S7044-5

24. SHIPPING. Sen. Byrd, Va., inserted a chart showing the increase in free world ships carrying cargo to North Vietnam. p. S7045

25. LEGISLATIVE PROGRAM. Sen. Mansfield announced it is the intention of the Senate to debate the International Grains Arrangement of 1967 on Wed. p. S7044

EXTENSION OF REMARKS

26. HUNGER. Sen. Percy inserted two articles which tell of efforts that have begun to define and deal with hunger and malnutrition in the State of Ill. p. E5157
Rep. Fisher said that the report "Hunger, U. S. A." was soon "proven to be a conglomeration of unconfirmed and utterly misleading claims and distortions." p. E5193
Rep. Abbitt inserted articles which have been written to show that many of the so-called findings in the hunger report were "greatly exaggerated, if not fabricated." pp. E5205-8
Rep. Edwards, Calif., inserted letters from constituents showing their reaction to the CBS production, "Hunger in America." pp. E5227-9
Rep. Passman inserted an article which refutes the claim that there is "'chronic hunger'" in the U. S. pp. E5233-4

27. SYSTEMS. Sen. Scott inserted a speech, "The Systems Approach in Social Legislation." pp. E5158-60

28. FARMING; FOREIGN AID. Sen. McGee commended the Univ. of Wyoming in the work its college of agriculture has done to help Afghanistan increase its food production. pp. E5166-7

29. BUDGET. Sen. Scott inserted an article, "Congress Grabs for Fiscal Reins", and stated that it "outlines how Congress is trying to reassert its role in the budget process." pp. E5174-5

30. OPINION POLL. Reps. Hamilton and Latta inserted results of questionnaires which include items of interest to this Department. pp. E5189, E5247-8

31. POULTRY INSPECTION. Rep. Resnick stated that "exemption provisions of the proposed poultry inspection bill are so broad in scope that the total consumer protection intent of this bill will be substantially impaired." p. E5191

32. FOREST RESEARCH. Rep. Kastenmeier praised the Forest Products Laboratory for its development of a new system of house construction which gives promises of savings of 10 to 15 percent over costs of comparable conventionally built houses. p. E5209

33. EMPLOYMENT. Rep. Galifianakis inserted Small Business Administrator Smoot's address on community growth and industrial development. pp. E5239-41

34. PATENTS. Rep. Kasteinmeier spoke in favor of copyright law revisions and inserted a report, "Automated Information Systems and Copyright Law." pp. E5261-6

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U. S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(FOR INFORMATION ONLY;
NOT TO BE QUOTED OR CITED)

Issued June 13, 1968
For actions of June 12, 1968
90th-2nd; No. 100

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HIGHLIGHTS: See page 4

HOUSE

1. SCENIC RIVERS. A subcommittee of the Interior and Insular Affairs Committee approved for full committee action H. R. 8416, amended, to provide for a national scenic rivers system. p. D544
2. EXPORT-IMPORT BANK. Passed with amendment H. R. 16162, to authorize the Export-Import Bank of the United States to use \$500 million of its present statutory lending authority to facilitate through loans, guarantees, and insurance those export transactions which, in the judgment of the Board of Directors of the Bank, offer sufficient likelihood of repayment to justify the Bank's support in order to actively foster the foreign trade and long-term commercial interests of the United States. pp. H4906-18

3. TRANSPORTATION. Agreed to the conference report on H. R. 15190, to extend to Dec. 1, 1970, the time in which a commission must complete its study and make its recommendations to determine a site for the construction of a sea-level canal connecting the Atlantic and Pacific Oceans and increase the amount authorized for the study from \$17.5 to \$24 million. This bill will now be sent to the President. p. H4901

4. PERSONNEL. The Post Office and Civil Service Committee voted to report (but did not actually report) H. R. 13844, amended, to grant time off for employees to arrange funerals of their children lost in hostile military action; and H. R. 16558, amended, to promote the effective use of the Civil Service Commission revolving fund. p. D545

5. TAXATION; EXPENDITURES. Rep. Ottinger stated the administration's tax bill brings into focus the critical nature of our national fiscal situation and the need to select appropriate steps to set our fiscal house in order." He summarized his discussion by calling for "an immediate moratorium on new public works projects and highway starts, termination of the agricultural subsidy and major reductions in the space, military construction, and defense budgets." pp. H4928-31

6. OLDER AMERICANS. Both Houses received from HEW a proposed bill to strengthen and improve the Older Americans Act of 1965; to House Education and Labor and Senate Labor and Public Welfare Committees. pp. H4932, S7094

7. ADJOURNMENT. Rep. Albert announced that "we plan to adjourn at the close of business on Wednesday, the 3d of July, preceding the 4th of July, until Monday noon following the 4th of July." p. H4891

SENATE

8. APPROPRIATIONS. Both Houses agreed to the conference report on H. R. 16489, the Treasury and Post Office Departments, the Executive Office of the President, and certain independent agencies appropriation bill, 1969. This bill will now be sent to the President. pp. S7134-38, H4892-4900

9. HIGHWAYS. The Appropriations Committee voted to report without amendment (but did not actually report) H. J. Res. 1268, making supplemental appropriations for fiscal year 1968 for highways and certain claims. p. D542

10. CREDIT UNIONS. The Banking and Currency Committee reported with amendments H. R. 6157, to permit Federal employees to purchase shares of Federal- or State-chartered credit unions through voluntary payroll allotment (S. Rept. 1228). p. S7096

11. SURPLUS PROPERTY. The Government Operations Committee reported without amendment S. 1974, to make foreign generated surplus property available to domestic agencies (S. Rept. 1229). p. S7096

12. INFORMATION. The Commerce Committee reported with amendments H. R. 6279, to provide for the collection, compilation, critical evaluation, publication, and sale of standard reference data (S. Rept. 1230). p. S7096

Calendar No. 1206

90TH CONGRESS
2d Session }

SENATE {

REPORT
No. 1228

PAYROLL SAVINGS DEDUCTIONS FOR FEDERAL EMPLOYEES

JUNE 12, 1968.—Ordered to be printed

Mr. PROXMIRE, from the Committee on Banking and Currency, submitted the following

REPORT

[To accompany H.R. 6157]

The Committee on Banking and Currency, to which was referred the bill (H.R. 6157) to permit Federal employees to purchase shares of Federal- or State-chartered credit unions through voluntary payroll allotment, having considered the same, reports favorably thereon with amendments and recommends that the bill as amended do pass.

PURPOSE OF THE BILL

The purpose of H.R. 6157 is to permit Federal employees to save through the payroll savings plan. The bill would permit Federal employees to have up to two payroll deductions for deposit with commercial banks, savings banks, credit unions, or savings and loan associations. The bill would also permit the remainder of an employee's check to be deposited in a checking account or other savings account. The Government would be reimbursed for the additional cost of providing the payroll deductions by the financial institution receiving the deduction. The system would be administered pursuant to regulations prescribed by the Secretary of the Treasury.

HISTORY OF LEGISLATION

A payroll deduction bill applicable only to Federal credit unions (S. 1084) was introduced by Senator John Sparkman on February 27, 1967. The bill was referred to the Committee on Banking and Currency, and hearings were held before the Subcommittee on Financial Institutions on July 11, 1967. The committee expanded the bill by authorizing payroll deductions for other depository-type financial institutions such as commercial banks, savings banks, and savings

and loan associations. The committee also permitted payroll savings deductions for two depository institutions instead of one. The committee reported the bill as amended on October 9, 1967 and the bill passed the Senate on October 11.

The House Committee on Banking and Currency held hearings on November 3 on H.R. 6157, a payroll deduction bill which applied only to Federal credit unions. The House committee reported the bill on November 7, 1967 and it passed the House on February 5, 1968. It was referred to the Senate Committee on Banking and Currency on February 6. On June 11, 1968, the Senate committee considered H.R. 6157 in executive session and approved an amendment deleting the House language and substituting the provisions of the previously passed Senate bill (S. 1084). As amended, H.R. 6157 would thus authorize payroll deductions for all depository-type financial institutions. Because of the unique problems of the House-Senate payroll system, an additional amendment was approved removing House and Senate employees from the scope of the bill.

BACKGROUND

Under present law, the head of each department has authority to authorize payroll allotments "for such purposes as such department head deems appropriate" (5 U.S.C. 3075). Under this authority, payroll deductions have been authorized for savings bonds, contributions to the Combined Federal Campaign, union dues, and in the case of military personnel, payments for credit union shares. However, there is no uniform system for payroll deductions which applies to all Federal employees, and in the case of most civilian employees, deductions through the payroll savings plan are not permitted except for Federal savings bonds. Under the bill recommended by the committee, the Federal Government would be required to make payroll savings deductions for deposit in banks, savings banks, savings and loan associations, and credit unions upon the written request of a Federal employee.

The bill recommended by the committee also authorizes payroll deductions for deposit in two savings institutions. In other words, an employee might have one deduction for deposit in his savings account at a savings and loan association and another deduction for deposit with a credit union. The remainder of his check might still be sent to his checking account at a commercial bank or for deposit with another savings institution. The Government would be reimbursed for the cost of the two deductions, but the remainder of the check could be deposited with a financial institution without charge. In order to avoid disputes over which financial institution would provide reimbursement, the bill provides that if an employee elected to have his check sent to two or three financial institutions the check in the largest amount would not require reimbursement while the remaining checks would. In effect, the smaller checks would be considered to be the deductions and the larger check would be considered to be the employee's basic pay.

NEED FOR LEGISLATION

The committee believes that payroll deductions are an effective and efficient way of encouraging additional savings and will benefit our economy. The bill should facilitate the flow of funds to financial institutions, thereby easing credit conditions and removing some of the upward pressure on interest rates. To the extent the bill encourages greater thrift, it would remove funds from the direct spending stream thereby helping to reduce inflationary pressures. Promoting greater saving can be a most effective and painless way of fighting inflation.

The committee also believes that payroll deductions will benefit the Federal Government as an employer. Many progressive employers in business and industry have payroll savings plans and these have come to be recognized as a sound employment practice. The encouragement of regular saving assures a sources of funds for employees to meet emergencies or to finance large purchases. This should result in fewer employees who overextend themselves and get into financial trouble. This in turn should lead to a more productive and stable work force and fewer complaints to the Federal Government from creditors concerning Federal employees in financial difficulty.

Finally, the committee believes the bill will benefit the Federal employee. It will make it easier and more convenient for the average employee to save on a regular basis. As previously mentioned, it will tend to assure a ready source of funds and reduce financial problems. It will particularly benefit employees of moderate income, who, when financial trouble strikes, are often forced to borrow at high interest rates.

The committee is mindful of the Treasury argument that payroll deductions for other forms of savings might undercut Treasury bond sales to Federal employees. Although such a possibility exists, the committee does not believe it is likely. Many private employers authorize deductions for both Federal savings bonds and other forms of savings. For example, 80 percent of the employees of Lockheed Aircraft have credit union payroll deductions, but 99 percent have savings bond deductions.

The committee also recognizes the argument that additional deductions complicate Federal payroll operations. However, in view of the benefits to be derived by encouraging saving, and in view of the computerized nature of most Federal payroll systems, and in view of the fact that the Government would be reimbursed for the additional cost of providing the deductions, the committee feels the bill would not represent any significant burden on the Federal Government.

With respect to cost, the committee understands the Civil Service Commission has already established a standard service charge of 2 cents per individual deduction exclusive of any postage cost. The committee expects such a charge should be adequate to cover all additional costs associated with payroll savings deductions authorized under the bill.

CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted

is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

SECTION 3620 OF THE REVISED STATUTES AS AMENDED
(31 U.S.C. 492)

DISBURSING OFFICERS

(a) It shall be the duty of every disbursing officer having any public money intrusted to him for disbursement, to deposit the same with the Treasurer or with one of the depositaries of the United States mentioned in section 476 of this title, and to draw for the same only as it may be required for payments to be made by him in pursuance of law and draw for the same only in favor of the persons to whom payment is made; and all transfers from the Treasurer of the United States to a disbursing officer shall be by draft or warrant on the Treasury. In places, however, where there is no treasurer or depositary, the Secretary of the Treasury may, when he deems it essential to the public interest, specially authorize in writing the deposit of such public money in any other public depositary, or, in writing, authorize the same to be kept in any other manner, and under such rules and regulations as he may deem most safe and effectual to facilitate the payments to public creditors.

(b) (1) Notwithstanding subsection (a) of this section or any other provision of law, and under regulations to be prescribed by the Secretary of the Treasury, the head of an agency [may] shall, upon the written request of [a person] *an employee of the agency* to whom a payment *for wages or salary* is to be made, authorize a disbursing officer to make the payment [-(1)] *in the form of one, two, or three checks (the number of checks and the amount of each, if more than one, to be designated by such employee)* by sending to [the] *each* financial organization designated by [that person] *such employee* a check that is drawn in favor of [that] *the organization* and *is for credit to the checking account of [that person; or]* *such employee or is for the deposit of savings or purchase of shares for such employee: Provided, that the agency shall not be reimbursed for the cost of sending one check requested by such employee but shall be reimbursed for the additional cost of sending any additional check requested by such employee by the financial organization to which such check is sent. For the purposes of the foregoing proviso, the check for which the agency shall not be reimbursed shall be the check in the largest amount.*

(2) [if] *If more than one [person] employee* to whom a payment is to be made designates the same financial organization, *the head of an agency may, upon the written request of such employee and under regulations to be prescribed by the Secretary of the Treasury, authorize a disbursing officer to make the payment* by sending to the organization a check that is drawn in favor of the organization for the total amount [due] *designated by those [persons] employees* and by specifying the amount to be credited to the account of each of those [persons] employees.

(3) In this subsection, *the term "agency"* means any department, agency, independent establishment, board, office, commission, or other establishment in the executive, legislative (*except the Senate and House*

of Representatives), or judicial branch [] of the Government, any wholly owned or controlled Government corporation, and the municipal government of the District of Columbia; and the term "financial organization" means any bank, savings bank, savings and loan association or similar institution, or Federal or State chartered credit union.

(c) Payment by the United States [of a] *in the form of more than one* check, drawn in accordance with subsection (b) and properly endorsed, shall constitute a full acquittance for the amount due to the [person] employee requesting payment.



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Calendar No. 1206

90TH CONGRESS
2D SESSION

H. R. 6157

[Report No. 1228]

IN THE SENATE OF THE UNITED STATES

FEBRUARY 6, 1968

Read twice and referred to the Committee on Banking and Currency

JUNE 12, 1968

Reported by Mr. PROXMIKE, with amendments

[Strike out all after the enacting clause and insert the part printed in italic]

AN ACT

To permit Federal employees to purchase shares of Federal- or State-chartered credit unions through voluntary payroll allotment.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 *That section 25 of the Federal Credit Union Act (12 U.S.C.*
4 *1770) is amended (1) by inserting “(a)” immediately*
5 *after “Sec. 25” and (2) by adding at the end thereof the*
6 *following new subsection:*

7 “*(b)* Any Federal employee who is a member of any
8 credit union that has a common bond consisting of Federal
9 employees and members of their families shall have the
10 right to have payment on shares in the credit union made

1 by allotment from his salary in such amount and at such
2 times as the employee may from time to time request in
3 writing. The credit union shall reimburse the United States
4 Government for the reasonable cost of making such allot-
5 ment.

6 “The Comptroller General of the United States shall
7 issue regulations to implement this authority.

8 “In this subsection, ‘Federal employee’ means any per-
9 son employed by any department, agency, independent
10 establishment, board, office, commission, or other establish-
11 ment in the executive, legislative, or judicial branch of
12 the Government, any wholly owned or controlled Govern-
13 ment corporation, and the municipal government of the
14 District of Columbia.’”

15 *That subsections (b) and (c) of section 3620 of the Revised*
16 *Statutes, as amended (31 U.S.C. 492), are amended to read*
17 *as follows:*

18 “(b)(1) Notwithstanding subsection (a) of this section
19 or any other provision of law, and under regulations to be
20 prescribed by the Secretary of the Treasury, the head of an
21 agency shall, upon the written request of an employee of the
22 agency to whom a payment for wages or salary is to be made,
23 authorize a disbursing officer to make the payment in the
24 form of one, two, or three checks (the number of checks and
25 the amount of each, if more than one, to be designated by

1 such employee) by sending to each financial organization
2 designated by such employee a check that is drawn in favor
3 of the organization and is for credit to the checking account
4 of such employee or is for the deposit of savings or purchase
5 of shares for such employee: Provided, That the agency shall
6 not be reimbursed for the cost of sending one check requested
7 by such employee but shall be reimbursed for the additional
8 cost of sending any additional check requested by such em-
9 ployee by the financial organization to which such check is
10 sent. For the purposes of the foregoing proviso, the check
11 for which the agency shall not be reimbursed shall be the
12 check in the largest amount.

13 "(2) If more than one employee to whom a payment
14 is to be made designates the same financial organization, the
15 head of an agency may, upon the written request of such
16 employee and under regulations to be prescribed by the
17 Secretary of the Treasury, authorize a disbursing officer to
18 make the payment by sending to the organization a check
19 that is drawn in favor of the organization for the total
20 amount designated by those employees and by specifying
21 the amount to be credited to the account of each of those em-
22 ployees.

23 "(3) In this subsection, the term 'agency' means any
24 department, agency, independent establishment, board, office,
25 commission, or other establishment in the executive, legis-

1 *lative (except the Senate and House of Representatives), or*
2 *judicial branch of the Government, any wholly owned or*
3 *controlled Government corporation, and the municipal gov-*
4 *ernment of the District of Columbia; and the term ‘financial*
5 *organization’ means any bank, savings bank, savings and*
6 *loan association or similar institution, or Federal or State*
7 *chartered credit union.*

8 “(c) *Payment by the United States in the form of*
9 *more than one check, drawn in accordance with subsection (b)*
10 *and properly endorsed, shall constitute a full acquittance*
11 *for the amount due to the employee requesting payment.”*

Amend the title so as to read: “An Act to amend section 3620 of the Revised Statutes with respect to payroll deductions for Federal employees.”

Passed the House of Representatives February 5, 1968.

Attest:

W. PAT JENNINGS,

Clerk.

90TH CONGRESS
2D SESSION

H. R. 6157

[Report No. 1228]

AN ACT

To permit Federal employees to purchase shares of Federal- or State-chartered credit unions through voluntary payroll allotment.

FEBRUARY 6, 1968

Read twice and referred to the Committee on Banking and Currency

JUNE 12, 1968

Reported with amendments

June 13, 1968

- 3 -

SENATE

12. CCC. The Armed Services Committee reported with amendment H. R. 16703, the military construction bill, which includes funds for the payment on the debt to the Commodity Credit Corp. for foreign currencies used in prior years to construct military family housing overseas (S. Rept. 1232). p. S7147

13. TRAILS. The Interior and Insular Affairs Committee reported with amendments S. 827, to establish a nationwide system of trails (S. Rept. 1233). p. S7147

14. WATER RESOURCES. The Interior and Insular Affairs Committee reported with amendment S. 3058, to increase authorizations for water resources planning activities (S. Rept. 1234). p. S7147
Conferees were appointed on S. 20, to provide for a comprehensive review of national water resource problems and programs. p. S7212

15. WILDLIFE. The Commerce Committee reported with amendments H. R. 15979, to prevent or minimize injury to fish and wildlife from the use of pesticides (S. Rept. 1236). p. S7147
Sen. Hansen inserted an article "Who Owns the Game?--Part II." pp. S7164-6

16. BALANCE OF PAYMENTS. H. R. 16162, to improve the U. S. balance-of-payments situation through loan and other programs of the Export-Import Bank, was ordered to be placed on the calendar. p. S7147

17. CREDIT UNIONS. Passed with amendments H. R. 6157, authorizing payroll savings deductions for credit union shares for Federal employees. pp. S7223-4

18. INFORMATION. Passed as reported H. R. 6279, to provide for the collection, compilation, critical evaluation, publication, and sale of standard reference data. p. S7224

19. TECHNICAL SERVICES. Passed with amendments S. 3245, to extend for an additional two years the authorization of appropriations under the State Technical Services Act of 1965. p. S7225

20. SOLID WASTES. The Public Works Committee voted to report (but did not actually report) S. 3201, extending for 1 year the provisions on research and assistance for State and interstate planning for solid waste disposal. p. D549

21. APPROPRIATIONS. Passed without amendment H. J. Res. 1268, making supplemental appropriations for fiscal year 1968 for highways and certain claims. The Appropriations Committee reported the bill without amendment June 12 (S. Rept. 1227). This bill will now be sent to the President. pp. S7212-23

22. EXPORT-IMPORT BANK. Began consideration of S. 3218, to enable the Export Import bank of the United States to approve extension of certain loans, guarantees, and insurance in connection with exports from the United States in order to improve the balance of payments and foster the long-term commercial interests of the United States. By unanimous-consent agreement this bill will become the pending business on Mon., June 17. p. S7225

23. GRAINS. Agreed, 62-21, to the resolution of ratification of the International Grains Arrangement 1967. pp. S7193-7212

24. CONSERVATION. Sen. Metcalf inserted two editorials urging congressional action on conservation and water resource projects. p. S7166

25. RESEARCH. Sen. Morse inserted an article "Productivity Interaction: Basis for Science Education in the 21st Century." pp. S7166-7

26. PERSONNEL. Sen. Ervin spoke in support of the bill to protect the constitutional rights of employees of the executive branch of the Government and to prohibit unwarranted governmental invasions of their privacy and inserted his comments before the Greensboro, N. C., Bar Association on this subject. pp. S7181-3

27. FOREIGN TRADE. Sen. Mondale hoped that Congress will not overlook the "crucial importance of East-West trade opportunities both in the interest of a response to the events in Eastern Europe and a response to American trade difficulties" and inserted an editorial on the subject. pp. S7177-8

28. RECLAMATION. Sen. Mundt spoke of the water shortage in such agricultural States as S. Dak., and inserted an address by Commissioner of Reclamation Floyd E. Dominy, "Irrigation Moves Into the 21st Century." pp. S7171-3

29. HUNGER. Sen. Metcalf praised this Department's development of high-protein foods as a major source of protein for humans. pp. S7169-70
Sen. McGovern inserted the text of Sen. Montoya's bill relative to relief for the hungry. pp. S7187-8

30. POVERTY. Sen. McIntyre inserted an article from an OEO Bulletin, "Rural Communities of May 1968" relative to antipoverty programs in New Hampshire. p. S7169
Sen. Brooke inserted the text of the "poor people's" demands including those made of this Department. pp. S7170-1

31. ADJOURNED until Mon., June 17. p. S7269

EXTENSION OF REMARKS

32. ELECTRIFICATION. Sen. Metcalf inserted two statements presenting arguments in favor of the proposed Electric Power Reliability Act. pp. E5351-3

the supplemental funds necessary to continue highway operations for the balance of the year. It would certainly appear to me, however, that somewhere logic could be instilled in the minds of the individual recalcitrant senators to the end that they would recognize the tremendous economic setback and hardship that is being caused in so many of the states as well as the financial liability that is being created in many of our respective states, including South Dakota, for failure to maintain the schedule of payments required under our contracts.

I am sure you appreciate that our contractors have and are finding it necessary, in order to continue operations, to borrow funds at the present money market—with interest rates ranging from seven to eight percent. Presumably any such interest that is necessarily incurred by contractors as a result of delays in the payment of our contractual obligations will be the basis of legal action against the State. This, indeed, can mount into a considerable sum of money.

I am very concerned with the statement that has been made by the Federal Highway Administrator to the effect that, even though a "tie-up" of funding for the balance of 1968 continues until the commencement of the new fiscal year, July 1, expenditures will thereupon be automatically authorized upon the commencement of the new fiscal year. We are faced with the inescapable fact, however, that if this becomes a reality the 400-million dollars supplemental authorization will be, undoubtedly, lost which will prevent us from balancing our books and will in effect then cause us to spend next year's money this year if we are to keep abreast with present obligations.

Mention has been made with respect to a possible application for a hardship payment, due to our constitutional prohibition against incurring indebtedness in excess of \$100,000. I would most certainly be happy to pursue this course, however, I must call attention to the fact that at the present time highway funds for fiscal 1968 are still frozen pursuant to an executive order of the President made last year.

The amount due and owing to the state of South Dakota and which is still under the existing "freeze order" is in the sum of \$3,108,188.20. Each state has a proportionate amount still remaining frozen. In view of the dilemma which apparently continues to exist in the Senate to secure further authorization of funds to finish operations for fiscal year 1968, it would appear that the President through the urging of Congress might, at least, "unfreeze" the 3-million dollars plus which is owed to South Dakota and similar proportionate amounts to other states.

I cannot urge sufficiently the urgency of this matter which, I feel, will have ever and ever greater repercussions.

I appreciate your interest and can only ask that this matter be brought to the attention of the entire body for I am sure there are many members of the Senate who probably even as yet are unaware of the problems existing throughout our country with relation thereto.

If there is any assistance that either the Highway Department or I can give to you in endeavoring to secure the continuation of the funds which have been obligated and promised by the Bureau of Roads in connection with our highway projects, you may be assured of our fullest and most prompt assistance and cooperation.

With best regards, I remain,
Sincerely,

NILS A. BOE,
Governor.

Mr. MOSS. Mr. President, it is absolutely essential that the joint resolution be passed today. We must release \$400 million from the highway trust fund

to finance estimated expenditures for the Federal aid highway program for the remainder of the fiscal year. It is impossible to have an effective and efficient highway program if the States do not have enough money to pay contract authorizations.

Once a highway job is started, the contractor must receive progress payments regularly if he is to be able to pay his bills—pay his subcontractors, buy materials, meet his payrolls, keep the job going. A road-building job cannot be bounced around like a yo-yo, it has to be kept moving ahead at a steady pace.

There is no shortage of revenues in the highway trust fund. The money is available to be allocated. It is only because Congress does not act that there is any problem.

Mr. President, for the last 18 months the Nation's highway programs have been on a start-and-stop basis. State highway commissions have awarded contracts in good faith, only to have the funds frozen for several months because of the economy drive, and now to have them stopped simply because we in Congress cannot put our house in order.

The State of Utah had to borrow \$10 million recently to meet its commitments to highway contractors—commitments which the Federal Government authorized the State to make, and on which the Federal Government promised to pay its pro-rata share. The State has to pay interest on the money it borrowed, of course, and this means an unnecessary and excessive cost. This is not only unfair; it is unsound financial policy; it is very poor business.

Mr. President, we must settle our differences on this appropriations joint resolution today, and pass it without further delay.

The PRESIDING OFFICER. The joint resolution is open to amendment. If there be no amendment to be proposed, the question is on the third reading of the joint resolution.

The joint resolution (H.J. Res. 1268) was ordered to a third reading, read the third time and passed.

Mr. HOLLAND. Mr. President, I move to reconsider the vote by which the joint resolution was passed.

Mr. PASTORE. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

ORDER FOR ADJOURNMENT UNTIL 12 NOON MONDAY

Mr. MANSFIELD. Mr. President, I ask unanimous consent that when the Senate completes its business today, it stand in adjournment until 12 o'clock noon, Monday next.

The PRESIDING OFFICER. Without objection, it is so ordered.

FEDERAL- OR STATE-CHARTERED CREDIT UNIONS

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 1206.

The PRESIDING OFFICER. The bill will be stated by title.

The LEGISLATIVE CLERK. A bill (H.R. 6157) to permit Federal employees to purchase shares of Federal- or State-chartered credit unions through voluntary payroll allotment.

The PRESIDING OFFICER. The question is on agreeing to the request of the Senator from Montana. Without objection, it is so ordered.

The Senate proceeded to consider the bill, which had been reported from the Committee on Banking and Currency with an amendment, strike out all after the enacting clause and insert:

That subsections (b) and (c) of section 3620 of the Revised Statutes, as amended (31 U.S.C. 492), are amended to read as follows:

"(b) (1) Notwithstanding subsection (a) of this section or any other provision of law, and under regulations to be prescribed by the Secretary of the Treasury, the head of an agency shall, upon the written request of an employee of the agency to whom a payment for wages or salary is to be made, authorize a disbursing officer to make the payment in the form of one, two, or three checks (the number of checks and the amount of each, if more than one, to be designated by such employee) by sending to each financial organization designated by such employee a check that is drawn in favor of the organization and is for credit to the checking account of such employee or is for the deposit of savings or purchase of shares for such employee: Provided, That the agency shall not be reimbursed for the cost of sending one check requested by such employee but shall be reimbursed for the additional cost of sending any additional check requested by such employee by the financial organization to which such check is sent. For the purposes of the foregoing proviso, the check for which the agency shall not be reimbursed shall be the check in the largest amount.

"(2) If more than one employee to whom a payment is to be made designates the same financial organization, the head of an agency may, upon the written request of such employee and under regulations to be prescribed by the Secretary of the Treasury, authorize a disbursing officer to make the payment by sending to the organization a check that is drawn in favor of the organization for the total amount designated by those employees and by specifying the amount to be credited to the account of each of those employees.

"(3) In this subsection, the term 'agency' means any department, agency, independent establishment, board, office, commission, or other establishment in the executive, legislative (except the Senate and House of Representatives), or judicial branch of the Government, any wholly owned or controlled Government corporation, and the municipal government of the District of Columbia; and the term 'financial organization' means any bank, savings bank, savings and loan association or similar institution, or Federal or State chartered credit union.

"(c) Payment by the United States in the form of more than one check, drawn in accordance with subsection (b) and properly endorsed, shall constitute a full acquittance for the amount due to the employee requesting payment."

The PRESIDING OFFICER. The question is on agreeing to the committee amendment.

The amendment was agreed to.

Mr. MANSFIELD. Mr. President, I ask unanimous consent to have printed in the RECORD an excerpt from the report

(No. 1228), explaining the purposes of the bill.

There being no objection, the excerpt was ordered to be printed in the RECORD, as follows:

PURPOSE OF THE BILL

The purpose of H.R. 6157 is to permit Federal employees to save through the payroll savings plan. The bill would permit Federal employees to have up to two payroll deductions for deposit with commercial banks, savings banks, credit unions, or savings and loan associations. The bill would also permit the remainder of an employee's check to be deposited in a checking account or other savings account. The Government would be reimbursed for the additional cost of providing the payroll deductions by the financial institution receiving the deduction. The system would be administered pursuant to regulations prescribed by the Secretary of the Treasury.

HISTORY OF LEGISLATION

A payroll deduction bill applicable only to Federal credit unions (S. 1084) was introduced by Senator John Sparkman on February 27, 1967. The bill was referred to the Committee on Banking and Currency, and hearings were held before the Subcommittee on Financial Institutions on July 11, 1967. The committee expanded the bill by authorizing payroll deductions for other depository-type financial institutions such as commercial banks, savings banks, and savings and loan associations. The committee also permitted payroll savings deductions for two depository institutions instead of one. The committee reported the bill as amended on October 9, 1967 and the bill passed the Senate on October 11.

The House Committee on Banking and Currency held hearings on November 3 on H.R. 6157, a payroll deduction bill which applied only to Federal credit unions. The House committee reported the bill on November 7, 1967 and it passed the House on February 5, 1968. It was referred to the Senate Committee on Banking and Currency on February 6. On June 11, 1968, the Senate committee considered H.R. 6157 in executive session and approved an amendment deleting the House language and substituting the provisions of the previously passed Senate bill (S. 1084). As amended, H.R. 6157 would thus authorize payroll deductions for all depository-type financial institutions. Because of the unique problems of the House-Senate payroll system, an additional amendment was approved removing House and Senate employees from the scope of the bill.

BACKGROUND

Under present law, the head of each department has authority to authorize payroll allotments "for such purposes as such department head deems appropriate" (5 U.S.C. 3075). Under this authority, payroll deductions have been authorized for savings bonds, contributions to the Combined Federal Campaign, union dues, and in the case of military personnel, payments for credit union shares. However, there is no uniform system for payroll deductions which applies to all Federal employees, and in the case of most civilian employees, deductions through the payroll savings plan are not permitted except for Federal savings bonds. Under the bill recommended by the committee, the Federal Government would be required to make payroll savings deductions for deposit in banks, savings banks, savings and loan associations, and credit unions upon the written request of a Federal employee.

The bill recommended by the committee also authorizes payroll deductions for deposit in two savings institutions. In other words, an employee might have one deduction for deposit in his savings account at a savings and loan association and another deduction for

deposit with a credit union. The remainder of his check might still be sent to his checking account at a commercial bank or for deposit with another savings institution. The Government would be reimbursed for the cost of the two deductions, but the remainder of the check could be deposited with a financial institution without charge. In order to avoid disputes over which financial institution would provide reimbursement, the bill provides that if an employee elected to have his check to two or three financial institutions the check in the largest amount would not require reimbursement while the remaining checks would. In effect, the smaller checks would be considered to be the deductions and the larger check would be considered to be the employee's basic pay.

NEED FOR LEGISLATION

The committee believes that payroll deductions are an effective and efficient way of encouraging additional savings and will benefit our economy. The bill should facilitate the flow of funds to financial institutions, thereby easing credit conditions and removing some of the upward pressure on interest rates. To the extent the bill encourages greater thrift, it would remove funds from the direct spending stream thereby helping to reduce inflationary pressures. Promoting greater saving can be a most effective and painless way of fighting inflation.

The committee also believes that payroll deductions will benefit the Federal Government as an employer. Many progressive employers in business and industry have payroll savings plans and these have come to be recognized as a sound employment practice. The encouragement of regular saving assures a source of funds for employees to meet emergencies or to finance large purchases. This should result in fewer employees who overextend themselves and get into financial trouble. This in turn should lead to a more productive and stable work force and fewer complaints to the Federal Government from creditors concerning Federal employees in financial difficulty.

Finally, the committee believes the bill will benefit the Federal employee. It will make it easier and more convenient for the average employee to save on a regular basis. As previously mentioned, it will tend to assure a ready source of funds and reduce financial problems. It will particularly benefit employees of moderate income, who, when financial trouble strikes, are often forced to borrow at high interest rates.

The committee is mindful of the Treasury argument that payroll deductions for other forms of savings might undercut Treasury bond sales to Federal employees. Although such a possibility exists, the committee does not believe it is likely. Many private employers authorize deductions for both Federal savings bonds and other forms of savings. For example, 80 percent of the employees of Lockheed Aircraft have credit union payroll deductions, but 99 percent have savings bond deductions.

The committee also recognizes the argument that additional deductions complicate Federal payroll operations. However, in view of the benefits to be derived by encouraging saving, and in view of the computerized nature of most Federal payroll systems, and in view of the fact that the Government would be reimbursed for the additional cost of providing the deductions, the committee feels the bill would not represent any significant burden on the Federal Government.

With respect to cost, the committee understands the Civil Service Commission has already established a standard service charge of 2 cents per individual deduction exclusive of any postage cost. The committee expects such a charge should be adequate to cover all additional costs associated with payroll savings deductions authorized under the bill.

THE PRESIDING OFFICER. The question is on the engrossment of the amendment and the third reading of the bill.

The amendment was ordered to be engrossed and the bill to be read a third time.

The bill was read the third time.

THE PRESIDING OFFICER. The bill having been read the third time, the question is, Shall it pass?

The bill (H.R. 6157) was passed.

The title was amended, so as to read: "An act to amend section 3620 of the Revised Statutes with respect to payroll deductions for Federal employees."

STANDARD REFERENCE DATA

MR. MANSFIELD. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 1208.

THE PRESIDING OFFICER. The bill will be stated by title.

THE BILL CLERK. A bill (H.R. 6279) to provide for the collection, compilation, critical evaluation, publication, and sale of standard reference data.

THE PRESIDING OFFICER. The question is on agreeing to the request of the Senator from Montana. Without objection, it is so ordered.

The Senate proceeded to consider the bill which had been reported from the Committee on Commerce, with amendments on page 4, line 11, after "30", strike out "1968" and insert "1969"; and in line 13, after the word "year", strike out "1968" and insert "1969".

THE PRESIDING OFFICER. The question is on agreeing to the committee amendments.

The amendments were agreed to.

THE PRESIDING OFFICER. The question is on the engrossment of the amendments and the third reading of the bill.

The amendments were ordered to be engrossed and the bill to be read a third time.

The bill was read the third time.

THE PRESIDING OFFICER. The bill having been read the third time, the question is, Shall it pass?

The bill (H.R. 6279) was passed.

MR. MANSFIELD. Mr. President, I ask unanimous consent to have printed in the RECORD an excerpt from the report (No. 1230), explaining the purposes of the bill.

There being no objection, the excerpt was ordered to be printed in the RECORD, as follows:

PURPOSE OF AMENDMENTS

The purpose of the amendments is to make appropriations authorized by the act available for use in fiscal year 1969.

PURPOSE OF THE BILL

The purpose of the bill, H.R. 6279, is to provide a more appropriate and effective legal framework for the National Standard Reference Data System which is administered by the National Bureau of Standards of the Department of Commerce. It would strengthen and clarify the authority of the Secretary of Commerce to provide for the collection, evaluation, and dissemination of reliable reference data on the physical and chemical properties of materials widely used in science and industry.

DIGEST of Congressional Proceedings OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U. S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(FOR INFORMATION ONLY;
NOT TO BE QUOTED OR CITED)

Issued June 18, 1968
For actions of June 17, 1968
90th-2nd; No. 103

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HIGHLIGHTS: House passed watershed construction bill. Rep. Smith, Iowa, defended consumer protection under meat inspection law. House committee reported potato research and promotion bill. House subcommittee approved highway authorization bill. Rep. Sullivan introduced and discussed food stamp bill.

HOUSE

1. POTATOES. The Agriculture Committee reported with amendment H. R. 15030, the potato research and promotion bill (H. Rept. 1559). p. H5044
2. CREDIT UNIONS. Concurred in the Senate amendments to H. R. 6157, to permit Federal employees to purchase shares of Federal-or State-chartered credit unions through voluntary payroll allotment (p. H5006). This bill will now be sent to the President.

3. WATERSHEDS. Passed without amendment S. 2276, to amend the Watershed Protection and Flood Prevention Act to permit the Secretary of Agriculture to contract for the construction of works of improvement upon request of local organizations (p. H5009). This bill will now be sent to the President.
4. RECLAMATION. Passed as reported S. 1251, to make certain reclamation project expenses nonreimbursable. p. H5008
5. BUILDINGS. The Public Works Committee was discharged from further consideration of S. 222, to require that public buildings financed with Federal funds be designed and constructed to accommodate the handicapped, and the bill was passed with amendment to insert the language of H. R. 6589 which had been passed earlier, 302-0, under suspension of the rules. H. R. 6589 was then tabled. pp. H5010-15
6. HAWAII LOANS. Passed under suspension of the rules, H. R. 15562, to extend until June 30, 1970 the authority of the Secretary of Agriculture to authorize loans on leasehold interests in Hawaii. pp. H5031-2
7. HIGHWAYS. The Subcommittee on Roads of the Public Works Committee approved for full committee action H. R. 17134, amended, the 1970-71 highway authorization bill. p. D560
8. TAXATION; EXPENDITURES. Rep. Pelly opposed the retroactive provision to April 1 of the President's 10-percent tax surcharge. He favored the effective date "not earlier than next September." p. H5006
Rep. Brinkley suggested that the \$6 billion proposed spending reduction be made in foreign aid and related expenditures, the "lowest priority area." pp. H5037-8
9. MEAT INSPECTION. Rep. Smith, Iowa, defended the Wholesome Meat Act against "critics who are trying to discredit it and other consumer protection legislation." pp. H5032-3
10. TRADE POLICY. Rep. Whitener inserted his testimony in behalf of "a sound trade policy for the people in the textile industry." pp. H5034-5
Rep. Monagan inserted his testimony on the "conflicts and problems" of the U. S. trade policy. pp. H5036-7
11. EDUCATION. Rep. Feighan inserted the recommendations on urban education financial needs developed for priority congressional consideration during a meeting of National School Boards Association. pp. H5039-40
12. FOREST LANDS. Received from Army and Agriculture a notification of a proposed interchange of jurisdiction of civil works and national forest lands (Kinzua Allegheny Reservoir, N. Y. and Pa.) by the Department of the Army and the Department of Agriculture. p. H5043

Jesus' body on the cross so that life may flow and all things be made new. Christians for twenty centuries have made this sort of bread the focal point of their rejoicing in the Eucharist. They have realized that there is, in fact, no other alternative but the shallow frenzy of illusion that ends in mourning—the motive for which is not truth and life and the way things are, but rather the short-lived insulation of the lie told beautifully and with an excellent fancy.

I beg you thus to regard me, a Christian caught in such a fit of candor, with the patient reverence that is proper to the pain and the pity of the human condition itself. I ask you to regard me thus, as I say the things I think one must say of this peace the world cannot give.

The first and, perhaps, the most obvious thing to say is that there are sorts of peace the world indeed can give. One is the peace of *détente*—the peace that is an absence of aggression between persons or societies whose power is so balanced that anything but such a peace is unprofitable. Another is the peace of *ennui*—the peace that comes not from active power, but from a passive heaviness of mind that sees nothing in man worthy of being defended.

In between these two extremes there come to be, and come so easily to die as well, those fragile human efforts to establish a peace more true and lasting; a peace that is not filled with the terror of a balance of power, not consumed with the fatalism—or even cynicism—of *ennui*. Peace true and lasting, not of terror nor of *ennui*, is the foundation of what our Lord speaks of. But the peace he speaks of is more—more in this, that the peace he has to give is not a sometime thing; not fragile as a summer flower; not prostrate before the gusty will of men who are maimed through our race's once and constant free choice to be so; not at the mercy of that random, brutal senselessness that stalks the pages of recorded human history.

His peace, on the contrary, is an abiding presence—a robust, searing, tangible reality that goes so far beyond what men of themselves can do as to elude being put into words. The Lord himself calls it simply his "Spirit": Christian tradition calls it a loving relationship maintained between Jesus and his Father, a relationship so intense that it is yet a third Person in the Godhead.

Venerable though all these words may be, they are of infinitely less importance than that which they speak of: a Person who is Peace; a Person whom Jesus gives us in his own victory over brutal death and violence; a Person who lives in the world not as a phantom in the mist, but as a love-structured and love-suffering community of people such as you and I. Look into the eyes of anyone you love, and you see him who is Peace looking back. Look into the face of hate, and you see his antithesis, the Beast, who would destroy us all. Look about you at this Eucharist, and you see him here—if our faith, our hope, and our love are what we together announce them in this world to be. May God forbid that faithlessness, despair, and hate return our gaze. In such a case, we sin by being here, and what we do together had better not be done at all.

Like the Church, I am old. But, also like the Church, I am still very much alive. Thus my candor is seasoned by the past, while remaining concerned about the present and the future. Being old, alive and, moreover, foreign (to you, at least), you will perhaps indulge me in the prerogative of the old and the strange in giving advice to others.

My advice to you is this. Whether or not Christianity has a future will depend upon the ability of Christians such as you graduates to be people of that peace which our Lord speaks in today's gospel. That sort of peace cost him his life; that sort of peace has cost the lives of others like him; and it may very well cost you your lives too. Peace such

as this has always come at a high price, because it is worth it. Without it, life is more a curse than a blessing: for brother is set against brother, race against race, nation against nation, and horror feeds upon the little and the poor. In our own day, the absence of peace has transcended being merely unprofitable: on its presence or absence the fate of the world itself has come to depend. To serve the cause of peace is, therefore, to serve nothing less than the survival of mankind.

If this can be done anywhere in the world, I believe it will have to be done first, and above all in your own great country. The United States may well be crucible in which a new world, secular and religious, will be compounded out of the debris of what has gone before. This is so not only because of your country's vast powers: it is mainly so because the United States is today what other nations will be only in the future—that is, a technological society verging on a degree of dehumanized massiveness that is surely the most critical challenge to man, if not the virus of his ultimate degradation. The world outside your borders is interested in what you do; and to that world you have an astonishing responsibility, for its fate may very well rest in your own hands.

Perhaps I am naive, but I think that the role of the Church in your society may be cardinal in all this. The dissolution of the Church into dull little retreats of ineffective and petulant discontent can do little more than hasten mankind's Armageddon. The effective and vigorous cohesion of the Church in the face of such threat is imperative. But the sort of cohesion I mean is not an administrative or even an economic one. It is a living in that Peace who is a Person, who makes us what we are.

My conclusion is somber because our era is a somber one. And it is this. If Christians have no peace to give the world in which we live, then one may question seriously whether Christianity is not already a dead thing—glorious in its tomb, perhaps, but dead none the less. I remain convinced that the Church's requiem (which has been prematurely sung by the world times without number) is not yet *a propos*. But my conviction is tempered by the realization that, although God has promised not to fail his People, his People have never promised not to fail him. If we are to remain faithful to him in our service to the world he created, and for which his only Son poured out his blood, then we shall have to do more than just speak fine words of peace. We shall have to become Peace itself.

So deeply must we change in our own hearts and minds and souls that, wherever we are or wherever we go—as Christian individuals and as communities of Christians—the world at large must be forced to cry out: "Peace has passed this way, Peace is here!"

Mr. ZABLOCKI. Mr. Speaker, it was indeed a privilege and honor to meet on last Friday, His Beatitude Maximos V Hakim, newly elected Melkite Patriarch of Antioch and all the East, of Jerusalem and Alexandria.

His comments and observations regarding the crisis in the Middle East served to substantiate in many ways my views regarding the most effective means of bringing peace to that troubled part of the world.

I have long held, Mr. Speaker, that as a first step in that sought-after peace the Arab countries must seek to reestablish diplomatic relations with the United States and other friendly countries. Second, it is necessary that Israel take a more conciliatory attitude regarding the overall Arab-Israel dispute, particularly the Palestine refugee problem and the

internationalization of the Holy City of Jerusalem. Third, if the United States is to assist in resolving the Middle East crisis it must maintain an unbiased position of strict neutrality—supporting respectively those positions of both Israel and the Arab countries which are right and just within the context of our own national interests and world peace.

My colleague, the distinguished gentleman from Wisconsin [Mr. LAIRD], has included in the RECORD His Beatitude Hakim's thought-provoking remarks on the Middle East problem delivered at the National Shrine of the Immaculate Conception. I recommend those comments to the full and careful reading of my colleagues in the House.

Mr. JOELSON. Mr. Speaker, I want to join my colleagues in a warm welcome to the newly elected Patriarch of Antioch and All the East of Jerusalem and Alexandria, His Beatitude Maximos V Hakim.

I number among my close friends faithful members of St. Ann's Church in Paterson where Melkite Catholics worship in the Eastern Rite. Monsignor Cyril Anid and Father Maxim Chalhoub of this parish are truly dedicated servants of God, and are an inspiration to all.

I hope that the stay of His Beatitude Maximos V. Hakim in this country will be most pleasant.

Mr. DANIELS. Mr. Speaker, I am very happy to extend my own personal welcome and that of the people of the 14th Congressional District of New Jersey to the newly elected Melkite Patriarch of Antioch and all the East, His Beatitude Maximos Hakim.

The House of Representatives has honored itself by inviting His Beatitude to offer the opening prayer at the beginning of today's session. His inspiring words reflect the deep philosophical tradition of the Eastern Rite of the Catholic Faith, whose spiritual leader he is.

GENERAL LEAVE

Mr. LAIRD. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their remarks on His Beatitude Maximos V Hakim.

The SPEAKER. Is there objection to the request of the gentleman from Wisconsin?

There was no objection.

(Mr. FEIGHAN asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

[Mr. FEIGHAN addressed the House. His remarks will appear hereafter in the Extensions of Remarks.]

BODYGUARDS ASSIGNED TO EX-GOVERNOR STASSEN

(Mr. HAYS asked and was given permission to address the House for 1 minute, and to revise and extend his remarks.)

Mr. HAYS. Mr. Speaker, everybody is complaining about expenditures these days, and I notice that ex-Governor

Stassen has been assigned 15 bodyguards on the ground that he is a candidate for the Presidency.

Now, I have 10 delegates, and I am sure I have more delegates and more enemies than he has, and I do not have any bodyguards, and I do not want any and I would not accept any.

But I would submit we might be able to save the salaries of these 15 guards. If he has that many bodyguards around, that is the biggest crowd he has had during this campaign.

PELLY OPPOSES RETROACTIVE PROVISION OF TAX BILL

(Mr. PELLY asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. PELLY. Mr. Speaker, although I believe a tax increase is necessary because of present fiscal problems, I very much oppose the section of the bill making any tax increase retroactive to April 1.

Retroactivity, as most people will discover to their dismay next April 15, will impose great hardship on many citizens of the Nation. While indecision and charges and countercharges have been thrown back and forth between the leadership of the majority party in both the legislative and executive branches of Government, the people of this Nation have not known what to expect or when to expect action on this bill.

Now it appears with a provision which would not just increase taxes, but present each citizens with an extra and unexpected tax bill. This unanticipated financial burden on American families is not fair.

The conditions which created the need for this tax increase are no fault of the people who now have to bear the blow of paying their Government more money. Some of us in both political parties, but mostly in the minority party, warned during these recent years of where the Nation has headed under programs designed to spend, spend, spend. And, now, the American taxpayer, already overburdened by a fiscally damaging inflation as a result of these policies, is faced with an unfair retroactive tax increase.

Mr. Speaker, I strongly oppose the retroactive provision to April 1 of the President's 10-percent tax surcharge. I think the tax should be effective not earlier than next September.

PERMITTING FEDERAL EMPLOYEES TO PURCHASE SHARES OF FEDERAL- OR STATE-CHARTERED CREDIT UNIONS THROUGH VOLUNTARY PAYROLL ALLOTMENT

Mr. PATMAN. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk the bill (H.R. 1657) to permit Federal employees to purchase shares of Federal- or State-chartered credit unions through voluntary payroll allotment, with Senate amendments thereto, and concur in the Senate amendments.

The Clerk read the title of the bill.

The Clerk read the Senate amendments, as follows:

Strike out all after the enacting clause and insert:

"That subsections (b) and (c) of section 3620 of the Revised Statutes, as amended (31 U.S.C. 492), are amended to read as follows:

"(b) (1) Notwithstanding subsection (a) of this section or any other provision of law, and under regulations to be prescribed by the Secretary of the Treasury, the head of an agency shall, upon the written request of an employee of the agency to whom a payment for wages or salary is to be made, authorize a disbursing officer to make the payment in the form of one, two, or three checks (the number of checks and the amount of each, if more than one, to be designated by such employee) by sending to each financial organization designated by such employee a check that is drawn in favor of the organization and is for credit to the checking account of such employee or is for the deposit of savings or purchase of shares for such employee: *Provided*, That the agency shall not be reimbursed for the cost of sending one check requested by such employee but shall be reimbursed for the additional cost of sending any additional check requested by such employee by the financial organization to which such check is sent. For the purposes of the foregoing proviso, the check for which the agency shall not be reimbursed shall be the check in the largest amount.

"(2) If more than one employee to whom a payment is to be made designates the same financial organization, the head of an agency may, upon the written request of such employee and under regulations to be prescribed by the Secretary of the Treasury, authorize a disbursing officer to make the payment by sending to the organization a check that is drawn in favor of the organization for the total amount designated by those employees and by specifying the amount to be credited to the account of each of those employees.

"(3) In this subsection, the term "agency" means any department, agency, independent establishment, board, office, commission, or other establishment in the executive, legislative (except the Senate and House of Representatives), or judicial branch of the Government, any wholly owned or controlled Government corporation, and the municipal government of the District of Columbia; and the term "financial organization" means any bank, savings bank, savings and loan association or similar institution, or Federal or State chartered credit union.

"(c) Payment by the United States in the form of more than one check, drawn in accordance with subsection (b) and properly endorsed, shall constitute a full acquittance for the amount due to the employee requesting payment."

The SPEAKER. Is there objection to the request of the gentleman from Texas?

Mr. GROSS. Mr. Speaker, reserving the right to object, I surmise from hearing the amendment or amendments read, that they are germane to this bill, but I want to be absolutely certain.

Mr. PATMAN. Yes, they certainly are, I can tell the gentleman.

Mr. GROSS. In recent days the other body has served notice that it proposes to take some bill that comes from the House and add legislation to it, specifically concerning so-called gun control legislation, and I propose in the future to make certain whether Senate amendments are germane to all House approved bills.

Mr. PATMAN. The amendments are very short.

Mr. GROSS. I am not asking for an explanation I only want to know whether

these amendments are germane to the bill.

Mr. PATMAN. They are absolutely germane. It just includes banks, savings and loan institutions, and mutual savings institutions.

Mr. GROSS. Mr. Speaker, I withdraw my reservation of objection.

(Mr. PATMAN asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. PATMAN. Mr. Speaker, H.R. 6157 is legislation that was passed unanimously by the House on February 5, 1968. The legislation passed by the House would provide credit union payroll deductions for Federal employees.

The Senate, after lengthy hearings, extended the same benefits to banks, savings and loan associations, and mutual savings institutions.

Of course, all of these institutions, like the credit unions, would have to pay the Government for the cost of providing this service so that there would be no cost to the Government on this legislation.

The Senate rejected an extension of the payroll deduction to other groups since they do not fall under the definition of financial institutions.

I have discussed the Senate amendments with the distinguished ranking minority member of the Banking and Currency Committee, the gentleman from New Jersey [Mr. WIDNALL], and he is in agreement with me that the Senate version is acceptable. Therefore, Mr. Speaker, I ask that the House adopt the Senate version of H.R. 6157.

The SPEAKER. Is there objection to the request of the gentleman from Texas [Mr. PATMAN]?

There was no objection.

The Senate amendments were concurred in.

A motion to reconsider was laid on the table.

PERMISSION FOR SUBCOMMITTEE ON PUBLIC ROADS, COMMITTEE ON PUBLIC WORKS, TO SIT DURING GENERAL DEBATE TODAY

Mr. OLSEN. Mr. Speaker, I ask unanimous consent that the Subcommittee on Public Roads be permitted to sit during general debate this afternoon.

Mr. Speaker, this has been cleared.

The SPEAKER. Is there objection to the request of the gentleman from Montana?

There was no objection.

PERMISSION FOR COMMITTEE ON BANKING AND CURRENCY TO SIT DURING GENERAL DEBATE TODAY

Mr. ALBERT. Mr. Speaker, I ask unanimous consent that the Committee on Banking and Currency may sit during general debate today.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

HOUSE PAYS FOR ACLU MAILING

(Mr. ROGERS of Florida asked and was given permission to address the House for 1 minute and to revise and ex-



Public Law 90-365
90th Congress, H. R. 6157
June 29, 1968

An Act

82 STAT. 274

To amend section 3620 of the Revised Statutes with respect to payroll deductions for Federal employees.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subsections (b) and (c) of section 3620 of the Revised Statutes, as amended (31 U.S.C. 492), are amended to read as follows:

Federal employees.
Payroll deductions.
79 Stat. 582.

"(b)(1) Notwithstanding subsection (a) of this section or any other provision of law, and under regulations to be prescribed by the Secretary of the Treasury, the head of an agency shall, upon the written request of an employee of the agency to whom a payment for wages or salary is to be made, authorize a disbursing officer to make the payment in the form of one, two, or three checks (the number of checks and the amount of each, if more than one, to be designated by such employee) by sending to each financial organization designated by such employee a check that is drawn in favor of the organization and is for credit to the checking account of such employee or is for the deposit of savings or purchase of shares for such employee: *Provided*, That the agency shall not be reimbursed for the cost of sending one check requested by such employee but shall be reimbursed for the additional cost of sending any additional check requested by such employee by the financial organization to which such check is sent. For the purposes of the foregoing proviso, the check for which the agency shall not be reimbursed shall be the check in the largest amount.

"(2) If more than one employee to whom a payment is to be made designates the same financial organization, the head of an agency may, upon the written request of such employee and under regulations to be prescribed by the Secretary of the Treasury, authorize a disbursing officer to make the payment by sending to the organization a check that is drawn in favor of the organization for the total amount designated by those employees and by specifying the amount to be credited to the account of each of those employees.

"(3) In this subsection, the term 'agency' means any department, agency, independent establishment, board, office, commission, or other establishment in the executive, legislative (except the Senate and House of Representatives), or judicial branch of the Government, any wholly owned or controlled Government corporation, and the municipal government of the District of Columbia; and the term 'financial organization' means any bank, savings bank, savings and loan association or similar institution, or Federal or State chartered credit union.

Definitions.

"(c) Payment by the United States in the form of more than one check, drawn in accordance with subsection (b) and properly endorsed, shall constitute a full acquittance for the amount due to the employee requesting payment."

Approved June 29, 1968.

(over)

LEGISLATIVE HISTORY:

HOUSE REPORT No. 893 (Comm. on Banking & Currency).

SENATE REPORTS: No. 590 accompanying S. 1084 (Comm. on Banking & Currency) and No. 1228 (Comm. on Banking & Currency).

CONGRESSIONAL RECORD:

Vol. 113 (1967): Oct. 11, S. 1084 considered and passed Senate.

Vol. 114 (1968): Feb. 5, considered and passed House.

June 13, considered and passed Senate, amended.

June 17, House concurred in Senate amendments.

